ECONOMICS 450
History of Economic Thought

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Office: Munroe 215
Extension: 5302
Office Hours: Whenever I am in my office (which is generally)
Class Time: Tuesday Evening. 7:30-10:25
Class Location: Munroe 405

Textbook:

A Brief Introduction to the Course
This is a course about how economics became what it is, and what it is likely to become. Put another way, it is a course about dead economists and their legacy. But it is not a history course in the sense that we talk about past events; instead, it is a course in which we talk about past ideas and their influence on modern economic ideas.

After completing the course you should have a sense of the current main themes in economic thinking and their historical origins, a sense of why we teach you what we do, and some sense of the current and future debates in economics and economic pedagogy.

The course is primarily a reading and research course, which means that you will be on your own a fair amount. It is not a techniques course. This means that you will learn no new mathematical techniques or models, but you will have the opportunity to explore issues without becoming lost in models. Discussion and presentation of ideas are important, and I will expect everyone will contribute to the class discussion. You are encouraged to come in to discuss issues individually with me whenever I am in my office.

The course will have four components:

1. A consideration of where economics is today, and how the economics major fits into a liberal arts education.
2. A broad survey of the history of economic thought.
3. Outside speakers.
4. An in-depth consideration of an economist’s writing or an economic idea.
History of Thought as a Tool for Understanding where Economics Is Today

I’m no historian; I don’t get excited about the past. My primary interest is with the present. I’m interested in the past because understanding it helps me to understand the present. For example, if you know that John Stuart Mill had a significant fight with Thomas Carlyle about the role of blacks in society, you can better understand the current Chicago approach to race. Similarly, if you understand Alfred Marshall’s almost compulsive need to find middle ground, you can better understand how the irrelevancies in what you are taught in modern micro, and there are many of them, developed. Finally, if you understand Keynes’ switch to a policy focus right after he finished writing the General Theory, you can better understand the direction macro has gone.

I suspect most of you are not historians either, but I also believe that you are interested in why you learned what you learned in your economics courses. Thus we will spend a portion of the course reviewing what you learned (or were supposed to have learned) in your micro, macro, and economic statistics courses. The idea is to start with a consideration of where economics is now so that the forces that made it what it is are placed in perspective. Towards that end, in the first class I will organize you into three groups; each group will prepare a summary of what you learned in your micro, macro, or statistics courses and present it to the class in the second week. Then, during the rest of the semester we will explore how we came to teach what we currently teach.

The questions I hope to explore in this part of the course are “Are we teaching the best set of ideas we can to our economic majors, and if not, how should the economics major be changed?” Given the size of the economics major here at Middlebury and at other liberal arts schools, there is a presumption that we are doing something right, but there is also concern among many economics majors about the lack of relevance of aspects of what we teach. Continually, we hear from students that much of what is taught in economics classes has little direct relevance either to business or to the real world. Some of that “irrelevance” is by design, and some is due to other reasons, and we want to explore what those other reasons are, and whether they are justified.

Broad Survey

The second component of the course is what would normally be included in a 300 level history of economic thought course. Since we don’t offer a 300 level course in the history of economic thought here at Middlebury College, we need to cover that material, so that you can have a sense of the evolution of economic ideas. This survey part of the course will cover economic thought from early writers to modern times, and will be based primarily on my history of economics thought text. I also will assign some original readings and other articles. (These readings will be handed out, or available on the class website, http://blogs.middlebury.edu/econ0450f10/.

This aspect of the course will be conducted in parallel to the other aspects, and part of most of our seminars will be devoted to it. However, while we will discuss early writers, when we do so we will keep in mind the economics of today--what you are being taught in your core courses--and how what you are currently taught has been influenced...
by earlier writings. It is for that reason that we will begin the book at the end—with a summary of modern micro, macro, and economic statistics.

The survey will, for the most part, be chronological, starting with ancient economics, and going up through modern times. The heaviest focus will be on the movement from Classical economics to Neoclassical economics, because Neoclassical ideas still reflect much of what is currently taught in the core micro and macro courses in economics. The course will also consider how modern economics has deviated from Neoclassical economics, and how the teaching of economics is likely to evolve in the future. My hope for this part of the course is that you will see where the ideas that are now taught as "economics" developed, and how some of those ideas have lost part of their original content, while others have gained content the originators never conceived of.

To improve the quality of class discussions, I have found it helpful to strongly encourage students to read the material assigned before the class. The strongest encouragement I have found is weekly quizzes on the text readings for that week. These quizzes are not in-depth quizzes, but are instead straightforward quizzes to see whether you have read the material or have simply skimmed it.

The weekly quizzes will generally just be on the textbook material. (I will let you know beforehand if any other readings will be included in the quiz material.) However, regardless of whether the readings will be included in the quizzes, I will be asking questions of you in the discussion part of the seminar relevant to those readings. With a small class, I should have good sense of whether you have read the material or not. I will also likely assign a person to look at, and report on, some specific readings. As you can see, the reading load in the class is heavy, and is not something that can be put off to the day of the class. It should be done well ahead of time, and reviewed right before class. If you don’t like reading, this probably isn’t the class for you.

Outside Speakers

I am an opinionated person. (Most academics are.) Despite being opinionated, I try to not foist my opinions on students, but it’s hard not to do so since I’ve had much more time to think about my views than you have, and thus can usually argue more forcefully for them. To see that you get different views, I believe it is important to have you exposed to alternative views, and thus as part of the course, I invite some outside speakers to speak to the class, and to the broader community. This semester we currently have three outside speakers planned.

Oct 21: Steven Medema  “The Hesitant Hand”
Nov 16: Symposium on George Stigler and the Chicago School: Craig Freedman “Chicago Fundamentalism” and David Levy, “The True Chicago School”

Steven Medema has just written a book on the misinterpretation of the invisible hand metaphor, and will discuss it. Perry Mehrling, of Columbia University, has a new
book on a book updating Bagehot’s famous book, *Lombard Street*, which explains how the financial crisis occurs, and what to do about it. The final event will be a symposium discussion about the Chicago school. Craig Freedman has written a book on Chicago Fundamentalism, and will discuss that, while David Levy, who has written a variety of books on Classical economics and the Chicago school, will provide an alternative perspective. There will likely be dinners associated with these visits for those who are interested.

**An In-Depth Consideration of an Economist’s Writing or of Some Topic**

There are costs to everything, and the cost of providing a survey of the history of economic thought and talking about current and future economics is that we will not have significant time to consider any specific author. An entire course could usefully be spent on Smith, Keynes, Veblen, Galbraith, Stigler, and many other authors we will be considering briefly. One of the joys of studying history of economic thought is to spend time reading an earlier author and developing one’s own opinion of that author. It is here where I see your paper playing a central role. In that paper I want you to take some specific question or author, and do an in-depth study, using the results of that study to write an approximately thirty-page double-spaced paper.

Since work on the paper will determine 50% of your grade (quizzes and class participation will count for the other 50%), it is an important part of the course. I try to give students considerably leeway in choosing their topics, and the results are sometimes wonderful, and sometimes problematic. A big problem with freedom is that it allows you to procrastinate. This is especially problematic here at Middlebury where our short semesters require you to come up with an entire plan for a paper before you have had time to immerse yourself in the topic. But it is what we have available to us and we will make the best of it. What I don’t want to happen is for you to get behind from the beginning and turn in a hastily written paper that we both know is not your best work.

To avoid that fate we will work hard at choosing paper topics as soon as possible. To give you some sense of the topics that are possible, in the first lecture, I will give a brief overview of the entire history of thought course with the hope of giving you a sense of what question or writer particularly interests you. At that time I will make a number of suggestions about topics to the class, and discuss paper topics that have been written in the past. If you can’t figure out a topic, I will be happy to assign one to you, but the choice of a topic is ultimately up to you.

To help you decide on a topic by the second or third week of classes, I hope to schedule a meeting with each of you individually to discuss possible topics. To choose a topic I suggest skimming through the books that are assigned for the course, and seeing if an interesting topic jumps out at you. You might also look at articles in the *History of Political Economy*, or the *Journal of the History of Economic Thought*, which can be found in the library, to review past published debates and get some ideas.

You want to know what’s been written on the topic so that you can add to the literature, not redo it. Thus, once you have decided on a topic you should do a web and
literature search for previous work on the subjects. Brenda Ellis, the reference librarian specializing in social science, can help you with specific research problems.

To create incentives for procrastinators, I will ask everyone to provide a progress report to the class relatively often, and have set up a schedule of intermediate dates specifying where I hope you are in the process of writing the paper. The grade for the paper will be based on the entire process, not just the final paper, so you should take these interim dates seriously.

- Sept 21 --Present to the class 3 or 4 possible paper topics, with advantages and disadvantages of each.
- Oct 5 --Choose one of the topics and have a one page summary of paper. Present a short (1-2 minute) summary of paper to class. (These summaries will be graded by the class and by me.)
- Oct 26 —Have read at least 5 or 6 background papers for your paper, and have developed initial bibliography. Have revised your summary and have an outline of your paper; (these outlines will be graded by others in the class and handed in to me.) Do a presentation to the class explaining which articles or books you consider central.
- Nov 9—Have Introduction to your paper written, along with the paper’s expected conclusion. (Introduction is to be presented to class, with a statement of where rest of the paper is going.)
- —First draft of paper due
- Nov 30 —First Draft of Paper Due. Presentation of papers to Class based on that draft. (These presentations will be graded by the class, as well as by me.)
- Dec 4 (6:00 PM) —Final draft of the paper due.

In addition to discussions in class, I expect that you will stop in and meet individually with me as you are working on the paper. During those individual meetings we will discuss options and alternative ways of approaching the paper. I expect to work closely with each of you on your paper, so you should plan to have several meetings with me on the paper.

Course Schedule

The course is scheduled for a three hour time slot on Tuesday evenings. I find this works best for most discussions. However, since with vacations, Tuesday evenings sometimes get cut from class meetings or otherwise present problems, I try to be flexible, and to schedule some additional classes so that we can keep up with all the components of the course. Also, some material is best covered in an hour and a half, rather than in a three-hour seminar, so we may try to meet on some Thursday evenings, (or some other time that we decide on as a class) No quizzes will be given on these alternative days and while participation is encouraged, it is not required.
Ec. 450: Course Outline

Sept 7 Introductory Meeting
Hand-out syllabus
Introduction and Overview of Course

Sept 9  Introduction and Overview of Course
Alternative meeting  (This is a replacement of the Sept 7 class. If you cannot make it, let me know and I will work out an alternative date for us to meet)

- Discussion of course.
- Survey of History of Economic Ideas
- Discussion of possible paper topics
- Discussion of “The Economics Major and a Liberal Education”
- Discussion of survey results
- Organization of the class into groups who will make presentations on the current state of micro, macro and econometrics on  Sept 14
- Readings: Precursors of Classical Economics: Text, Chapter 1-3
- Readings: Paul Samuelson, “Economists and the History of Ideas” (pdf file available)

Sept 14 The Current and Future State of Economics

- Discussion of possible paper topics
- Presentations of groups on what you learnt in micro, macro and statistics
- Text: Chapter 14, 15, 16
- “What We Teach and What We Do”
- “What We Taught and What We Did”
- “The Future of Economics”
- “Thinking Like a Modern Macroeconomist”
- “Thinking Like a Modern Economist”


- Text: Chapter 4
- Adam Smith “The Education of Youth” in The Wealth of Nations
- Adam Smith: The Division of Labor in The Wealth of Nations
- Adam Smith: “Restraints on Trade” in The Wealth of Nations

Sept 28 David Ricardo, Thomas Malthus and the Peak of Classical Economics

- Text: Chapter 5
- Classic Readings: Nassau Senior: Value and The Forces of Supply and Demand
- Classic Readings: Ricardo: Rent
- Classic Readings: Bastiat: Petition of the Candlemakers
- Classic Readings: Malthus: The Theory of Population
Oct 5 J. S. Mill and the Decline of Classical Economics
- Text: Chapter 6
- Classic Readings: Mill: Competition and Custom
- Classic Readings: Mill: Private Property Has Not Had a Fair Trial
- Classic Readings: Mill: The Subjugation of Women

Oct 12: Karl Marx and Marxian Economics
- Text: Chapter 7
- Marx and Engles: “The Communist Manifesto”
- Marx, “A Contribution to a Critique of Political Economy”
- “Interview with Herb Gintis” in Colander, Holt and Rosser, The Changing Face of Economics (copy in class folder)
- Hirschleifer, The Sumptuous Manifesto

Oct 14 Economics and Policy (extra meeting to discuss upcoming talks and presentations)
Medema Lecture Readings:
  Medema: Chapters 2 and 3 The Hesitant Hand: “Harnessing Self Interest”, “Marginalizing the Market”
  Bronk, Preface, The Romantic Economist

Oct 19 mid term break

October 21:
Thursday 4:30: Steve Medema “The Hesitant Hand”
Talk followed by dinner at my house with Steve Medema

Oct 25:
Monday 4:30: Perry Mehrling “From Wall Street to Lombard Street”

Oct 26 Classical Macroeconomics and the Recent Financial Crisis
  Krugman, “How Economists Got it So Wrong”
  Colander, “How Krugman Got it So Wrong”
  John Law “Money”
  Perry Mehrling “The New Lombard Street”
  Walter Bagehot “Why Lombard Street is Often Very Dull…”
  Antoine Murphy “John Law”

Nov 2 The Transition to Neoclassical Economics
- Text: Chapter 8
- Text: Chapter 9
- Colander, “Policy, Welfare Economics and Mill’s Half Truths”

Nov 9 Alfred Marshall, Walras and Neoclassical Economics
Ec. 450: Course Discussion and Outline

- Text: Chapter 10
- Text: Chapter 11
- Classic Readings: Alfred Marshall: What is Economics?
- Classic Readings: Marshall: Competition

Nov 16  Milton Friedman, George Stigler and the Chicago School of Economics
  Craig Friedman “Was George Stigler Adam Smith’s Best Friend”

Nov 23 The Development of Modern Heterodox Economics
- Text: Chapter 12
- Text: Chapter 13
- “Are Institutionalists an Endangered Species?”
- “Outside the Heterodox Box”
- Classic Readings: Schumpeter: Can Capitalism Survive?
- Classic Readings: Veblen: The Theory of the Leisure Class
- Classic Readings: Galbraith: The Dependence Effect

Nov 30
- Student Class presentations

Dec 2
- Student Class presentations (extra class)

Dec 3: Classes end

Dec 4 (6:00 PM): Final Papers Due