

**Department of Economics
Princeton University**

**ECO 386/ HIS 352 History of Economic Thought.
Fall 2007-08**

T. Leonard
AI: Diana Lee

McCosh 2
M,W 11.00-12.20

Abstract

This class surveys the history of economics, with emphasis on the origins, nature and course of leading economic ideas. We aim to situate economic ideas in historical context, this to provide a deeper understanding of economic life and our theories of it. Historical writing unavoidably selects, but a course with a title as inclusive as ours must, of necessity, be radically selective. Our “coverage” omits centuries, eras even, and important intellectual traditions, such as Continental Political Economy, are given short shrift. What we do read is the product of some considered trade-offs among differing (and sometimes competing) goals for intellectual history. I want to acquaint you with the classics, and also provide an historical context that those who wrote the classics might have recognized. But, insofar as it is possible, we also want to meaningfully connect (some of) these ideas with the economic thought of today. As we develop our story, economic ideas become more prominent, and their historical context less so, which reflects an important development in the history of economics – the gradual emergence, out of the political economy tradition, of Economics, an academic, professionalized discipline with an increasingly narrow and specialized set of methods for considering economic life in commercial society.

We critically appraise economic texts from Aristotle to 20th-century writers, concentrating upon Classical economic thought, the ideas of Adam Smith, David Ricardo, Karl Marx and John Stuart Mill, and upon the emergence of Neoclassical economics, especially in the United States. We visit the intellectual monuments of the history of political economy not solely out of antiquarian interest, but also to obtain their lasting insights into commercial society’s foundational issues, which remain hardy perennials: the role of the state in the economy, the effect of scientific knowledge upon the economy and the state, the nature of human action and of the social good, and the social effects of property rights, money, prices, trade and the other defining attributes of markets.

“[T]he part of economics that is independent of history and social context is not only small but dull.”
– Robert Solow (1997)

Course requirements

The course prerequisite is Economics 100. More advanced course work in Economics and in History will help but is not required. Your grade in the course will derive from three sources: (1) five written assignments (papers of 5-6 pages each), (2) a take-home mid-term examination, and (3) a take home final examination. In determining your course grade, we will use the following weights: papers (35%), mid-term examination (25%), and final examination (40%). Assignments and exams are open to all legitimate sources, but you must properly credit with attribution all ideas not your own, and collaboration with other students is impermissible.

<i>Assignment</i>	<i>Posted to Course Page on</i>	<i>Due to Fisher 108, 4:00 on</i>
1 st assignment	Th 10/4/07	Th 10/11
Mid-term	F 10/19	F 10/26
2 nd assignment	Th 11/9	Th 11/16
3 rd assignment	Th 12/6	Th 12/13 (ECO Jr. prospecti may be due this week)
Final	M 1/14/08	M 1/21/08

Details

My office is 314 Fisher Hall; 8-4036; leonard@princeton.edu. My office hours are M,W 1.15-2.45 p.m. and by appointment. My assistant is Ms. GERALYN McDERMOTT, 108 Fisher Hall; 8-4004; geraldyn@princeton.edu. The course A.I. is Diana Lee; dianalee@princeton.edu; Fisher B-10; her office hours are W 2:30 p.m. - 4:00 p.m., F 10:30 a.m. - 12:00 p.m. and by appointment.

Readings

Backhouse, Roger E. (2002) *The Ordinary Business of Life: A History of Economics from the Ancient World to the Twenty-first Century*. Princeton: Princeton University Press. (U-Store)
 You might also consider Samuels, Warren, Jeff Biddle and John Davis (2003) *A Companion The History of Economics Thought* Oxford: Blackwell, but it is expensive. All readings will be on e-reserves. An asterisk denotes an optional reading.

Course Outline

Topic 1 Avoiding “provincialism in time”: What is the history of economics and why do it?

- Backhouse, prologue, pp 1-9.
- Blaug, Mark 2002. “No History of Economics, Please, We’re Economists” *Journal of Economic Perspectives* 15(1): pp. 145-164
- Hicks, John. 1974. “Perspectives or Twentieth Century Economic Theory: Capital Controversies: Ancient and Modern” *The American Economic Review* 64(2): pp. 307-316 (read 307-08).
- Schumpeter, Joseph A. 1954. “Why Do We Study the History of Economics?” in his *History of Economic Analysis*. New York: Oxford, pp. 4-6.
- *Boulding, Kenneth. 1971. “After Samuelson, Who Needs Adam Smith?” *History of Political Economy* 2(2): 225-37.

B. Avoiding the “condescension of posterity”: how should history of economics (or any kind) be done, and what is economics, anyway?

- Porter, Theodore and Dorothy Ross. 2003. “Writing the History of Social Science” in Porter and Ross (eds) *The Cambridge History of Science (vol 7): The Modern Social Sciences*, pp. 1-10.

- Goldfarb, Robert S. and Thomas C. Leonard. 2002. "Economics at The Millennium." *Society* 40(1): 24-36
- *Solow, Robert M. 1997. "How Did Economics Get That Way and What Way Did It Get" *Dædalus* 126(1): pp. 39-58.
- *Kreps, David. 1997. "Economics–The Current Position" *Dædalus* 126(1): 59-85.

Topic 2 The natural entanglement of positive and normative claims: Aristotle and other Greeks on money, usury, and the purposes of trade and wealth

- Backhouse, chapter 1, "The Ancient World"
- Aristotle, selections from *Nichomachean Ethics*, and *Politics* V.5.
- *Lowry, S. Todd. 2003 "Ancient and Medieval Economics" in Samuels, Warren, Jeff Biddle and John Davis (eds) *A Companion to The History of Economics Thought* Oxford: Blackwell.

B. Aquinas and the Scholastics on money, usury and the purposes of trade and wealth

- Backhouse, chapter 2 "The Middle Ages"
- Aquinas, *Summa Theologica* (selections), from A.E. Monroe 1930. *Early Economic Thought*. Cambridge, MA: Harvard University Press, pp. 51-77.

Topic 3 The modern period, and pre-Adamite Economics: mercantilism, physiocracy

- Backhouse, chapters 3 & 4 "The emergence of the modern world view," and "Science, politics and trade in seventeenth century England"
- Spiegel, Henry Ch. 8, "The Rise of Physiocratic Thought" in his *The Growth of Economic Thought* 1991. Durham, NC: Duke University Press, pp. 171-200.
- *Jacob Viner, "Mercantilist Thought," Reprinted in Viner, 1991. *Essays on the Intellectual History of Economics*, Douglas A. Irwin (ed). Princeton: Princeton University Press, pp. 262-276.
- *Mun, Thomas. 1664. Selections from "England's Treasure by Forraign Trade." In A. E. Monroe (ed.), *Early Economic Thought*, pp. 171-97. Cambridge, MA: Harvard University Press

B. The downfall of glory: How interests were called upon to tame the passions

- Hirschmann, Albert O. 1976. *The Passions and the Interests*. Princeton: Princeton University Press, pp. 9-63

Topic 4 Adam Smith, Moral Philosopher: Designing the Decent Individual for Commercial Society

A. Smith's day

- Backhouse, ch. 6, “The Scottish Enlightenment of the Eighteenth Century”
- Muller, Jerry. 1993. “Cosmopolitan Provincial: Smith’s Life and Social Milieu” in *Adam Smith in His Time and in Ours* New York: Cambridge, pp. 39-60.

B. Smith’s *Theory of Moral Sentiments*

- Smith, Adam. *The Theory of Moral Sentiments*, Part III: “Of the Foundation of our Judgments concerning our own Sentiments and Conduct, and of the Sense of Duty.” And other selections.
- Evensky, Jerry. 2005. “Adam Smith’s *Theory of Moral Sentiments*: On Morals and Why They Matter to a Liberal Society of Free People and Free Markets” *Journal of Economic Perspectives* 19(3): 109-30.
- Muller, Jerry. 1993. “Self-Love and Self-Command: The Intellectual Origins of Smith’s Civilizing Project” in *Adam Smith in His Time and in Ours* New York: Cambridge, pp. 39-60.
- *Brown, Vivienne. 1991. “Signifying Voices: Reading the ‘Adam Smith Problem’.” *Economics and Philosophy* 7(2): 187-220.

Topic 5 Adam Smith, Political Economist: Designing the Decent Commercial Society

- Smith, Adam. 1776. *The Wealth of Nations*, Selections: Book I, ch. 1-5 and others.
- Jacob Viner, “Adam Smith and Laissez-Faire,” Reprinted in Viner, *Essays on the Intellectual History of Economics*, Douglas A. Irwin (ed.). Princeton: Princeton University Press, 1991, pp. 85-113.
- Muller, Jerry. 1993. “The Visible Hand of the State” in *Adam Smith in His Time and in Ours*. New York: Cambridge, pp. 140-153.

Topic 6 Thomas Robert Malthus and David Ricardo: Value and Distribution and Growth

- Malthus, *An Essay on the Principle of Population* (pages TBA)
- Malthus, Thomas Robert. 1836. *Principles of Political Economy Considered with a View to Their Practical Application*, 2nd ed. London: W. Pickering. Bk. I Ch. II Sections II-IV (pp.61-93), and Bk. II Ch. I Sections I-III (pp.309-330).
- J.M. Keynes, “Robert Malthus: The First of the Cambridge Economists,” in Keynes, *Essays In Biography* (1933).
- Ricardo, *Essay on the Influence of the Low Price of Corn on the Profits of Stock* (often referred to as the Essay on Profits)
- Ricardo, David. 1928 [c. 1820]. “Notes on Malthus’ ‘*Principles of Political Economy, Considered With a View to Their Practical Application*’,” Jacob B. Hollander and T. E. Gregory (eds.) Baltimore MD: Johns Hopkins University Press, pp. 16-20.
- *Stigler, George. 1958. “Ricardo and the 93% Labor Theory of Value” *American Economic Review* 43 (4): 586-599.

B. The Long View of Classical Political Economy

- Backhouse, ch. 7, "Classical Political Economy, 1790-1870"
- O'Brien, Dennis 2003. "Classical Economics" in Samuels, Warren, Jeff Biddle and John Davis (eds.) *A Companion to The History of Economics Thought* Oxford: Blackwell, pp. 112-29 (a concise overview).
- *Schabas, Margaret 2003. "British Economic Theory from Locke to Marshall" in Ted Porter and Dorothy Ross (eds.) *The Cambridge History of Science (vol 7): The Modern Social Sciences*, pp. 171-182 (a succinct, whirlwind tour).

Topic 7 John Stuart Mill: Making orthodoxy from classical and new utility theories of value

- Mill, *Principles of Political Economy*. 1848. (Selections on economics as plutology, value theory, labor relations, and "market failure")

B. The Romantic critics of Classical Political Economy: How did the 'Dismal Science' get its name?

- Levy, David and Sandra Peart. 2002. "The Secret History of the Dismal Science: Economics, Religion and Race in the Nineteenth Century"
- Perksy, Joseph. 1990. "A Dismal Romantic" *Journal of Economic Perspectives* 4(4): 165-172

Topic 8 Marx: "A Ruthless Criticism of Everything Existing" (especially orthodox political economy).

- Marx, Karl. Selected readings from Robert Tucker, *The Marx-Engels Reader* (the Manifesto, "Wage, Labor and Capital")
- Marx, Karl. 1887 [1867]. *Selections from Capital, Volume 1*. Moscow: Progress Publishers. Part I, Ch.1, Section 1: "The Two Factors of a Commodity: Use Value and Value." Part II, Ch. 4: "The General Formula for Capital." Part III, Ch. 7, "The Labour Process and the Process of Producing Surplus Value" (sections 1 and 2). Part VIII, Ch. 32, "Historical Tendency of Capitalistic Accumulation."
- Heilbroner, Robert. 1992. "The Inexorable System of Karl Marx in his *Worldly Philosophers* (6th ed.), pp. 136-170.
- *Schumpeter, Joseph. 1950. "The Marxian Doctrine." Part I (pp.1-58) of *Capitalism, Socialism, and Democracy*, 3rd ed. New York: Harper & Row.

Topic 9 The Marginal "Revolution" and the Split between history and theory

- Backhouse, chapter 8 "The Split Between History and Theory in Europe 1870-1914"
- Jevons, William Stanley. 1866. "Brief Account of a General Mathematical Theory of Political Economy." *Journal of the Royal Statistical Society*, London, XXIX: 282-287.

- Spiegel, Henry Chs. 22-24: "Economics Restructured: Forerunners and Jevons," "The Austrian School," and "The Lausanne School," pp. 505-561. Also read the part of Ch. 25, "The Cambridge School," on Alfred Marshall: pp. 563-572, from *The Growth of Economic Thought* 1991. Durham, NC: Duke University Press
- Hutchison, T. W. 1972. "The 'Marginal Revolution' and the Decline and Fall of English Classical Political Economy." *History of Political Economy* 4: 442-468.
- *Blaug, Mark. 1972. "Was There a Marginal Revolution?" *History of Political Economy* 4: 269-280.

Topic 10 American economics and the advent of neoclassical economics & policy

- Backhouse, chapter 9 "The Rise of American Economics, 1870-1939"
- Barber, William "American Economics to 1900" in Samuels, Warren, Jeff Biddle and John Davis (eds.) *A Companion to The History of Economics Thought* Oxford: Blackwell (read pages 237-245).
- Weintraub, Roy "Neoclassical Economics" *The Concise Encyclopedia of Economics* <http://www.econlib.org/library/Enc/NeoclassicalEconomics.html>
- Leonard, Thomas C. (2003) "'A Certain Rude Honesty': John Bates Clark as a Pioneering Neoclassical Economist." *History of Political Economy* 35(3): 521-558 (Fall).

B. The influence of eugenic ideas on economists at the formation of the American welfare state

- Leonard, Thomas C. (2003) "More Merciful and Not Less Effective: Eugenics and Progressive-Era American Economics." *History of Political Economy* 35(4): 709-734 (Winter).

Topic 11 The Socialist calculation debate and welfare economics

- Backhouse, chapter 12
- *Persky, Joseph. 1992. "Pareto's Law" *Journal of Economic Perspectives* 6(2): 181-192

Topic 12 Money and the Business Cycle: American and Keynesian traditions

- Backhouse, chapter 10 "Money and the Business Cycle, 1898-1939"
- Harcourt, G.C. and Prue Kerr. 2003. "Keynes and the Cambridge School" in Samuels, Warren, Jeff Biddle and John Davis (eds.) *A Companion to The History of Economics Thought* Oxford: Blackwell, pp. 343-359.

Topic 13 [Time Permitting] American Economics becomes a mathematical science

- Backhouse ch 11. "Econometrics and Mathematical Economics, 1930 to the Present"
- Mirowski, Philip. 1991. "The How, the When and the Why of Mathematical

Expression in the History of Economic Analysis” *Journal of Economic Perspectives* 5:
pp. 145-157.