

TOWSON UNIVERSITY

Economics 321.001  
History of Economic Thought  
Fall 2005

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SYLLABUS

PURPOSE

The goal of this course is to help you to understand how economics became what it is today.

Along with the familiarity with that process comes the advantage of a sense of perspective about your other courses—where the ideas that are taught there came from, why they were ignored for decades, what were the arguments against them, what alternative techniques were their rivals.

Students without knowledge of doctrinal history are likely to consider the modern techniques that are taught in other economics courses to be scientifically derived truth. Of course there are reasons why these techniques evolved and others did not. Theory and application courses usually don't have time to examine those reasons, and the alternatives that didn't make it. We do. In some cases it may not be obvious that the alternatives that made it into current thinking were truly the best! We'll consider that, too.

You'll get to look at economics as an intellectual link between its foundation—philosophy—and practical policy implications. This is a course for basic questions: What is economics, anyway? How has it been shaped by changing attitudes about epistemology (the theory of knowledge) and scientific method? How many of history's vicious arguments among economists originated in different visions of what economics is and is supposed to do?

You can't become familiar with this process of the evolution of economic doctrine without picking up a few facts, like what Ricardo said in 1821, but the broader purpose of this course is to help you to appreciate the evolution of the science of economics and its philosophical and political context.

TEXTBOOK: Ekelund and Hébert, *A History of Economic Theory and Method* (New York: Waveland Press, 1997)

ORIGINAL MATERIAL: Three copies of each selection will be placed on reserve in Cook Library. They cannot be taken out overnight. Much of this material is available on the internet, but the page references in your written work must refer to the editions from which I made these copies so I can trace your quotes. Sorry, but I'm not going to do it through half a dozen different versions available online. (Besides, intensive, thoughtful reading is best done from printed paper.)

READING ASSIGNMENTS: IF YOU LACK college-level reading ability DO NOT TAKE THIS COURSE. There is a lot of reading, but the assignments, while challenging, are reasonable for a university student. Read every word, but pause and think in depth when you find some point that looks like a good topic for a comment in your journal.

EVALUATION OF PERFORMANCE: There are NO EXAMS in this course. For ten (10) weeks of your choice during the semester, you must submit neatly written discussions demonstrating that you read the assigned material (textbook and original readings), heard the lectures, and *thought about both*. These journals must be HANDWRITTEN, not typed.

The journals are due at the start of Monday's class following the week in which the material was discussed. (If you do the first paper, on pre-Smithian economics, it is due Wednesday September 7 (Monday that week is Labor Day). If you do the last one, on Public Choice, it is due Monday December 12.) Each will be graded as follows:

Original readings:	5
Textbook:	3
<u>Lecture:</u>	<u>2</u>
TOTAL:	10

If one of these components is absent, proportions will be maintained: if a week has no textbook reading, for example, 5/7 of your 10 points will be on the original readings, and 2/7 on the week's lectures. Papers will NOT BE ACCEPTED LATE.

Since we have fourteen weeks, you may skip FOUR weeks of your choice. It is not wise to skip the first four, or, for a different reason, the last four. You might want to allow a couple of weeks to experiment, because it is not unusual for students who ultimately earn A's to fail their first papers simply because they are unfamiliar with this kind of assignment.

A couple of clues: Don't provide just notes ("Adam Smith said this...Then, he said that..."); they don't satisfy an assignment that calls for demonstration of one's own thinking. Avoid the other extreme too: "On page xx, Adam Smith mentions ----. That reminds me of when I was a kid and we... [3 pages of reminiscences follow]." Informality involving your daily life is welcome, but it should always contribute to the purpose: to demonstrate your thinking about the assigned material. Feel free to inform me that "this Ricardian rent theory is ----!", but you should explain why you think it's ----, based perhaps on what you learned last semester from one of your economics, history, or political science professors. Comments like "A guy in *The Wall Street Journal* said something just like Bentham yesterday..." are great, if you explain what you think makes them alike. You may, of course, disagree with anything you read or hear in class, but I want *reasons* based on your studies. Do not simply describe your feelings; the phrase "I feel that" belongs in few college papers. I care about your feelings, but they do not belong in written college-level assignments.

Remember: You should provide evidence that you *read* the assigned material (all of it), *paid attention* to my lectures, and *thought about* both. You may be able to write something about some of the topics (e.g., Keynesian macroeconomics, if you've had 202 and/or 310) without any evidence that you have attended class or read the assigned material; that's worth almost nothing here.

**PLAGIARISM:** Plagiarism is stealing another's work. None of your professors should tolerate it, and I certainly won't. You may use somebody else's words, but you **MUST** give the author the credit! Direct quotes require quotation marks and identification of the source; paraphrasing requires that you inform the reader what you're doing and where to find the original. Long passages properly quoted and cited do not make for a good paper, but at least they avoid plagiarism. Plagiarism in a journal produces a fast F on that paper, and I assert the right to assign an F in the course, and perhaps even to take the issue to the University in cases I consider blatant.

The "default" is that anything you write is your own, and you cannot change this default with some kind of statement like "unless otherwise noted, I'm quoting other people's material." The presumption, again, is that *anything you write is your own*. When you use other people's words and ideas, you must specifically state that's what you're doing and tell your reader where you got their words or ideas.

In many courses, plagiarism in one assignment results in an F on both the assignment and for the course. Because we do so much writing and quoting, I'm not that tough here. But a plagiarism F on a paper throws away a lot of your work and uses up one of your non-counted grades. You don't want to do that.. and if it continues or is unusually blatant... see my warning above.

**ATTENDANCE** is expected, even if you choose to skip a journal that week. You may have **THREE (3)** unexcused absences without grade penalty; each over 3 will reduce your semester grade by two (2) percentage points.

**HOUSE RULES:** Inappropriate to the classroom are eating, drinking and the wearing of hats, unless one has written documentation of medical or religious reason. No electronic communication devices are to be used in class. Violation initially results in an unexcused absence; if persistent, more serious measures will be taken.

**GRADING:** Each of your journals will receive a numerical grade out of ten points, as described above. At the end of the semester, your best ten will determine 95% of your course grade. The other five points are based on attendance, participation, and general subjective factors like courtesy and respect toward others in the course.

**WORK LOAD:** You should plan to spend **SIX HOURS PER WEEK**, *outside of class*, on this course. That makes a 15-hour load equivalent to a 45-hour work week— not a lot, these days. If these assignments are *regularly* requiring more than six hours of conscientious work in addition to class attendance, let me know.

**REPEATING** this course? "Students may **not** make a third attempt of a course except with *prior* approval." For details, see the University Catalog, 2004-5, p. 26, or your own year's University Catalog.

**CHEATING**, including repeated plagiarism, will be dealt with as harshly as the University permits. That means an automatic F in this course and disciplinary action at the University level.

Wk	Date	LECTURE TOPIC AND READING ASSIGNMENT
1	29/31 aug	A rapid dash through pre-Smithian economics, principally mercantilism Reading: EH Chs. 1-4 (pp. 1-93) [About 75 p. of text]
		***** Wednesday, September 7, is the last day to add, or to drop with no grade. *****
2	--/07 sep	Adam Smith... MONDAY is Labor Day, no classes Reading: EH Ch. 5 (pp. 95-123) Smith, <i>The Wealth of Nations</i> , pp. 3-21 (Book I, Chs. I-III on the division of labor), 55-63 (Book I, Ch. VII on natural and market prices)
3	12/14 sep	Adam Smith again... an extra day on him, because of Labor Day...
4	19/21 sep	Jeremy Bentham, Thomas R. Malthus, and David Ricardo Reading: EH Chs. 6, 7 (pp. 124-169) Ricardo, <i>Principles of Political Economy and Taxation</i> , pp. 11-20 (Ch. I, Section I on value), 67-92 (Chs. II, III, IV on rent and "natural and market price"), 382-385 (Ch. XXX on demand and supply)
5	26/28 sep	John Stuart Mill Reading: EH Ch. 8 (pp. 170-198) Mill, <i>Principles of Political Economy</i> , Book III ("Exchange"): Vol. I, pp. 419-440 (Chs. I-IV on value, demand and supply, and cost of production); Vol. II, pp. 6-21 (Chs. VII-VIII on money)
6	03/05 oct	Classical economic policy; French precursors of modern neoclassical microeconomics Reading: EH Chs. 9, 11 (pp. 199-224, 257-286)
7	10/12 oct	Karl Marx Reading: EH Ch. 10 (pp. 225-256) Marx, <i>Capital</i> , pp. 41-54 (Volume I, Part I, Ch. I, Sections 1 and 2); 221-255 (Part III, Chs. VIII and IX on constant and variable capital, and the rate of surplus value)
8	17/19 oct	Early Austrian Contributions Reading: EH Chs. 12 (pp. 287-318) Menger, <i>Principles of Economics</i> , pp. 51-71 (Ch. 1, Sections 1-4), 257-262 (Ch. VIII, Sec. I on the nature and origin of money) Böhm-Bawerk, <i>Positive Theory</i> (Vol. II of <i>Capital and Interest</i> ), pp. 77-88 (Book II, Chs. 1,2 on roundabout production); 215-235 (Book III, Part B, Ch. 2, "The Basic Law of the Determination of Price")
9	24/26 oct	William Stanley Jevons and Leon Walras Reading: EH Chs. 13, 15 (pp. 319-338, 382-404) Jevons, <i>Political Economy</i> , pp. 37-61 (Ch. III on the theory of utility), 90-101 (on the "law of indifference" and theory of exchange). This is pretty easy reading. If you want to get a taste of Walras's equations, take a look at his <i>Elements</i> , pp. 164-172. Ha!
10	31/02 nov	Alfred Marshall Reading: EH Ch. 14 (pp. 339-381) Marshall, <i>Principles</i> , pp. 323-350 (Book V, Chs. I-III on demand, supply, and value)
		*** Wednesday, November 9, is the last day to withdraw with a W, or to change to Audit or Pass/Fail ***

11	07/09 nov	Keynes and his Macroeconomic Revolution Reading: EH Ch. 18 (pp. 462-486)
		Keynes, <i>The General Theory of Employment, Interest, and Money</i> , pp. 61-65 (saving and investment), 74-85 (the meaning of S&I), 89-98 (on consumption), 113-119 (on MPC), 194-209 (liquidity preference), 372-384 (Ch. 24, "Concluding Notes")
12	14/16 nov	Hayek and the Battle Against Keynesian ideas Reading: Hayek, <i>Prices and Production</i> (1931), pp. 1-8 (Lecture I, Sections 1-3), pp. 32-62 (Lecture II, Sections 1-11)
		-----, "The Pretence of Knowledge" (Nobel Memorial Lecture, December 11, 1974), pp. 23-34 of <i>New Studies</i>
		-----, "The Mysterious World of Trade and Money," Chapter 6 of <i>The Fatal Conceit</i> (1988)
13	21/23 nov	Monetarism and the Chicago School Reading: EH Ch. 19 (pp. 487-506)
		Friedman, "Introduction" and "The Relation Between Economic and Political Freedom," pp. 1-21 of <i>Capitalism and Freedom</i> (1968)
		-----, "The Role of Monetary Policy" (1967), reprinted as pp. 169-179 of Gibson & Kaufman, <i>Monetary Economics</i>
		-----, "The Methodology of Positive Economics," pp. 3-16 (Sections I and II) of <i>Essays in Positive Economics</i> (1953)
		Egger, "Monetarism," in Peter J. Boettke, ed., <i>The Elgar Companion to Austrian Economics</i> (1994), pp. 565-571
14	28/30 nov	The Modern Austrian School Reading: EH Ch. 20 (pp. 507-530)
		Rothbard, "Praxeology: The Methodology of Austrian Economics," pp. 19-39 of Dolan, ed., <i>The Foundations of Modern Austrian Economics</i>
		Mises, <i>Human Action</i> , pp. 257-273 (Ch. XV "The Market," Sections 1-4); pp. 867-880 (Ch. XXXVIII, "The Place of Economics in Learning")
15	05/07 dec	Public Choice and Contemporary Microeconomics Reading: EH Chs. 21-23 (pp. 531-578)
*** The final examination for this course is scheduled for Thursday, December 15, 2005, 12:30-2:30 PM. ***		

## BIBLIOGRAPHY

This bibliography contains only books from which our readings are drawn. Editions are the ones I happen to own. The history of economics is an open-ended subject, and the list of potential bibliographic entries is virtually endless. (See your Ekelund and Hébert chapters' "Notes for Further Reading" to see what I mean.) Additional suggestions will be provided to any student interested in going beyond the limits of this course.

- Boettke, Peter J., ed., *The Elgar Companion to Austrian Economics* (Brookfield VT: Edward Elgar, 1994)
- Böhm-Bawerk, Eugen von, *Capital and Interest*, Vol. II: *The Positive Theory of Capital* (South Holland IL: The Libertarian Press, 1959 [1889])
- Dolan, Edwin G., ed., *The Foundations of Modern Austrian Economics* (Kansas City: Sheed & Ward, Inc., 1976)
- Friedman, Milton, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962)
- , *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953)
- Fussell, Paul, *Class* (New York: Ballantine Books, 1983)
- Gibson, William E. and George G. Kaufman, *Monetary Economics: Readings on Current Issues* (New York: McGraw-Hill, 1971)
- Gwartney, James and Richard E. Wagner, "The Public Choice Revolution," *The Intercollegiate Review* 23,2 (Spring 1988): 17-26
- Hayek, Friedrich A., *New Studies in Philosophy, Politics, Economics and the History of Ideas* (Chicago: University of Chicago Press, 1978)
- , *Prices and Production* (New York: Augustus M. Kelley, Publishers, 1931)
- , *The Fatal Conceit* (Chicago: University of Chicago Press, 1988)
- , *The Trend of Economic Thinking*, Volume 3 in *The Collected Works of F. A. Hayek*, W. W. Bartley III and Stephen Kresge, eds. (Chicago: University of Chicago Press, 1991)
- Jevons, William Stanley, *The Theory of Political Economy* (New York: Kelley & Millman, Inc., 1957 [1871])
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- Marshall, Alfred, *Principles of Economics* (London: Macmillan, 1961 [1890])
- Marx, Karl, *Capital*, Vol I: *The Process of Capitalist Production* (New York: Modern Library, 1906 [1867])
- Menger, Carl, *Principles of Economics* (New York: New York University Press, 1981 [1871])
- Mill, John Stuart, *Principles of Political Economy* (New York: The Colonial Press, 1900 [1848])
- Mises, Ludwig von, *Human Action* (Chicago: Henry Regnery Company, 1966)
- Ricardo, David, *On the Principles of Political Economy and Taxation* (Cambridge: The University Press, 1951 [1817])
- Rothbard, Murray N., *Economic Thought Before Adam Smith* (Aldershot: Edward Elgar, 1995), Volume I of *An Austrian Perspective on the History of Economic Thought*
- , *Classical Economics* (Aldershot: Edward Elgar, 1995), Volume II of *An Austrian Perspective on the History of Economic Thought*
- Smith, Adam, *The Wealth of Nations* (New York: Random House, 1937 [1776])
- Veblen, Thorstein, *The Theory of the Leisure Class* (New York: The Modern Library, 1934 [1899])
- Walras, Léon, *Elements of Pure Economics* (London: George Allen and Unwin Ltd., 1954 [1874])