

History Of Economic Thought And Policy



Carlo Cristiano

ADJUNCT PROFESSOR

ccristiano@luiss.it



Annalisa Rosselli

ADJUNCT PROFESSOR

[Open in Luiss Learn](#)

Syllabus

PROFESSORS	Carlo Cristiano / Annalisa Rosselli
COURSE CODE	AQ7
GENERAL DISCIPLINE (SSD)	SECS-P/04

COURSE YEAR	3
SEMESTER	Primo Semestre
PARTITION OF STUDENTS	0
CREDITS	8
TOTAL WORKLOAD	200
TOTAL LESSON HOURS	72
TEACHING LANGUAGE	English
INSTRUCTIONAL GOALS	<p>The course will provide an opportunity for better understanding how economic theories have dealt with major economic issues, especially growth, technology and innovation, unemployment and the role of the state in the economy. The main purpose is to acquaint the student with a comparative approach to a wide, although inevitably selected set of major theories in the history of economic thought. The period considered covers almost two centuries, but with a more specific focus on the last one hundred years, in the attempt to show that economics as it exists today is a relatively recent acquisition, and that it does not take to go very far in time to show that economics has undergone a process of significant change before becoming what it is today. In order to immediately introduce this concept, the course will start from a comparison between current mainstream economics and Keynes. The economics of Marshall and Walras will provide the subject for a comparison between general and partial equilibrium theories and their methodological presuppositions at the beginning of the marginal revolution. The course will then focus on the evolution of classical political economy from Smith to Mill and Marx. The part on Schumpeter will present a conceptualization of the dynamic of capitalism, innovation, growth and entrepreneurship that had a long-lasting influence on economics. This part will include a comparison with the different visions of the evolution of capitalism that can be found in Smith, Marshall, and Marx. The final part will focus on the recent past, and in particular on the theories of economic development during the second half of the last century and on macroeconomics after Keynes.</p>
PREREQUISITES	Basilar knowledge of micro and macroeconomics.
COURSE CONTENTS	<p>1. Introduction; 2. Keynes's theory of employment, interest and money; 3. Marshall's partial equilibrium theory and industrial analysis; 4. Walras and Pareto on general equilibrium theory and the role of psychology in economics; 5. Classical political economy and Marx; 6. Schumpeter on entrepreneurship, economic development and the future of capitalism. 7. Recent theories of economic development; 8. Macroeconomics after Keynes.</p>

<p>REFERENCE BOOKS</p>	<p>A. Roncaglia, <i>The Wealth of Ideas. A History of Economic Thought</i>, Cambridge University Press, 2005</p> <p>J.M. Keynes, 'The General Theory of Employment', <i>Quarterly Journal of Economics</i>, February 1937, pp. 209-23</p> <p>J.M., Keynes, <i>The General Theory of Employment, Interest and Money</i>, 1936 (any edition)</p> <p>S.G. Medema and W.J. Samuels, <i>The History of Economic Thought: A Reader</i>, Routledge, 2003</p> <p>L. Bruni and R. Sugden, 'The road not taken: how psychology was removed from economics, and how it might be brought back', <i>Economic Journal</i>, 2007, pp. 146-173</p> <p>J.A. Schumpeter <i>Theory of economic development</i>, any edition</p> <p>J.A. Schumpeter, <i>Capitalism, socialism and democracy</i>, any edition</p> <p>O. Hirschman, 1981, «Rise and Decline of Development Economics». In <i>Essays in Trespassing. Economics to Politics and beyond</i>, Cambridge University Press.</p> <p>E. Screpanti and S. Zamagni, <i>An Outline Of The History Of Economic</i>, 2nd ed., Oxford University Press, 2005</p> <p>M. Friedman, 'The role of monetary policy', <i>The American Economic Review</i>, 58, 1, 1968, pp. 1-17</p> <p>Minsky, Hyman P., 'Finance and Profits: The Changing Nature of American Business Cycles' (1980). Hyman P. Minsky Archive. Paper 63. http://digitalcommons.bard.edu/hm_archive/63</p>
<p>TEACHING METHODS</p>	<p>The class will be organized around a discussion of assigned readings; thus, it is essential that the readings be completed by the date indicated on the reading list.</p>
<p>ASSESSMENT METHOD</p>	<p>Written exam followed by an associated oral exam entailing the recording of the grade at the time of the oral exam</p> <p>Students can also choose to take the (non-mandatory) midterm written test on the first part of the syllabus. In this case the assessment method consists of the midterm test (written test only, 50%) and a final exam (written test + oral exam, 50%)</p> <p>Midterm test and final exam consist of open questions.</p>
<p>THESIS ASSIGNMENT CRITERIA</p>	<p>A minimum grade of 27</p>
<p>EXTENDED PROGRAM AND REFERENCE READING MATERIAL</p>	
<p>WEEK 1 / ON LINE AND ON CAMPUS LECTURES CONTENT</p>	<p>1. Introduction: where to start from. Not too far in time, very far from what we are: full employment and the birth of the welfare state at the end of WWII</p> <p>2. Full employment and Keynes's General Theory. The role of money in Keynes's theory.</p> <p>3. A restatement of Keynes's theory.</p> <p>Reference reading material: J.M. Keynes, 'The General Theory of Employment', <i>Quarterly Journal of Economics</i>, February 1937, pp. 209-23 A. Roncaglia, <i>The Wealth of Ideas</i>, ch. 14, §§ 1-5</p>
<p>WEEK 2 / ON LINE AND ON CAMPUS LECTURES CONTENT</p>	<p>4. Keynes's on the state of long term expectations: speculation, long term investment and the functioning of the stock market.</p> <p>5. Liquidity preference at international level: Keynes's plan for Bretton Woods. Keynes's social philosophy and the role of the state.</p> <p>6. Keynes's theory of rational behaviour under uncertainty: the <i>Treatise on Probability</i></p> <p>Reference reading material: A. Roncaglia, <i>The Wealth of Ideas</i>, ch. 14, §§ 1-5 J.M. Keynes, <i>The General Theory of Employment, Interest and Money</i> (any edition), chapter 12 J.M. Keynes, <i>Treatise on Probability</i>, any edition (chapter 1 ('The meaning of probability'), chapter 6 ('The weight of arguments'))</p>

WEEK 3 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>7. Marshall's theory of the firm and industrial analysis: competition and increasing returns, the life cycle hypothesis, the representative firm, internal and external analysis, the role of the entrepreneur.</p> <p>8. How to deal with complexity: Marshall's 'partial equilibrium analysis' and 'short casual chains'. Time period analysis. Mechanical analogies with an evolutionary view of capitalism.</p> <p>9. Sraffa's criticism of Marshallian theory; the theory of imperfect and monopolistic competition</p> <p>Reference reading material: A. Roncaglia, The Wealth of Ideas, ch. 13, §§ 3-5; ch. 16, §3 A. Marshall, Principles of Economics (extracts), in S.G. Medema and W.J. Samuels, The History of Economic Thought: A Reader, pp. 504-521.</p>
WEEK 4 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>10. Walras and general equilibrium: how independent decisions of individual agents generate harmony and not chaos.</p> <p>11. Pareto and further developments of general equilibrium. The axiomatization of economics.</p> <p>12. The "marginalist revolution". Jevons and Edgeworth and how their theories were based on theoretical and experimental psychology. Pareto's attempts at separating psychology and economics. The theory of rational choice.</p> <p>Reference reading material: A. Roncaglia, The Wealth of Ideas, ch. 12, §§1-3 L. Bruni and R. Sugden, 'The road not taken: how psychology was removed from economics, and how it might be brought back', Economic Journal, 2007, pp. 146-173</p>
WEEK 5 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>13. Moral sympathy vs. self-interest: is there an 'Adam Smith Problem'?</p> <p>14. The Wealth of Nations. The harmony between individual self-interest and social interest: the invisible hand; division of labour and productivity, value theory.</p> <p>15. Smith's theorem: a plea for free markets and free trade.</p> <p>Reference reading material: A. Roncaglia, The Wealth of Ideas, ch.5, §§1-6 A. Smith, An Inquiry into the Nature and Causes of the Wealth of Nations (extracts), in S.G. Medema and W.J. Samuels, The History of Economic Thought: A Reader, 2003, pp. 156-161</p>
WEEK 6 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>16. Bentham's utilitarianism</p> <p>Reference reading material: A. Roncaglia, The Wealth of Ideas, Ch. 6, § 7 S.G. Medema and W.J. Samuels, The History of Economic Thought: A Reader, pp. 183-187</p>
WEEK 7 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>19. Ricardo on free trade</p> <p>20. Ricardo's theory of value and distribution. Presuppositions: Malthus on population, Say's law of markets. The theory: labour value theory; the determination of wages, rent and profits.</p> <p>21. Ricardo and Babbage on Machinery</p> <p>Reference reading material: A. Roncaglia, The Wealth of Ideas, Ch. 6, §§ 2-3; Ch. 7; Ch. 8, § 8</p>
WEEK 8 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>22. Marx's critique of capitalism. Value theory and the theory of exploitation</p> <p>23. The laws of movement of capitalism</p> <p>24. John Stuart Mill and the transition from Classical Political Economy to marginalism</p> <p>Reference reading material: A. Roncaglia, The Wealth of Ideas, ch. 9, §§1-6; ch.6, §§ 1-3 (Malthus, Say's Law); ch.7 (§§ 5 and 6 excluded) (Ricardo); ch.8, §§ 8 10 (Babbage and J.S. Mill) J.S.Mill, Principles of Political Economy, Book II, ch. 1("Of property") and ch. 11 ("Of Wages"); Book IV ch.6 ("Of the Stationary State"). In S.G. Medema and W.J. Samuels, The History of Economic Thought: A Reader , Routledge, 2003 , pp. 335-7; pp. 350 2</p>
WEEK 9 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>25. Schumpeter, method and works. Statics and dynamics, disequilibrium and growth.</p> <p>26. The entrepreneur in Schumpeter's Theory of economic development. The breakdown of capitalism in Capitalism, Socialism and Democracy.</p> <p>27. A comparison between Schumpeter's view of the future capitalism and the ideas of Walras, Marshall, Mill and Marx.</p> <p>Reference reading material: A. Roncaglia, The Wealth of Ideas, ch. 15, §§1-4 J.A. Schumpeter Theory of economic development, any edition (extracts) J.A. Schumpeter, Capitalism, socialism and democracy, any edition (extracts)</p>

WEEK 10 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>28. The rise of development economics after WWII. External and internal factors of its success. The case for treating LDC as a special group of economies. Dualistic models.</p> <p>29. Rostow and the five stages of growth. Balanced vs. unbalanced growth.</p> <p>30. Dependency theories. The decline of Development economics.</p> <p>Reference reading material: O. Hirschman, 1981, «Rise and Decline of Development Economics». In Essays in Trespassing. Economics to Politics and beyond, Cambridge University Press.</p>
WEEK 11 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>31 Macroeconomics after Keynes: the IS-LM model and the neoclassical synthesis:</p> <p>32. The Phillips curve, Milton Friedman and monetarism</p> <p>33 Milton Friedman on the 'The role of monetary policy'</p> <p>Reference reading material: E. Screpanti and S. Zamagni, An outline of the history of economic thought, 2005, ch. 8, § 8.2.5; ch. 9, § 9.1, 9.2.1 and 9.3 M. Friedman, 'The role of monetary policy', The American Economic Review, 58, 1 (March, 1968), pp. 1-17</p>
WEEK 12 / ON LINE AND ON CAMPUS LECTURES CONTENT	<p>34. The post-keynesians. Financial instability in Minsky</p> <p>35. Minsky on 'The Changing Nature of American Business Cycles': hedge, speculative and Ponzi finance</p> <p>36. Summary and conclusion</p> <p>Reference reading material: Minsky, Hyman P., 'Finance and Profits: The Changing Nature of American Business Cycles' (1980), §§I-VI.</p>