

ECON 400 HISTORY OF ECONOMIC THOUGHT

COURSE SYLLABUS

SPRING TERM 2022

Instructor: Prof. Dr. Bahri Yilmaz

Class Hours: M 8.40 am-10.30 am and W3.40 pm-4.30 pm.

Course Content:

This course allows students to understand the evolution of economic thought from early Greek philosophy to its modern day analytical form as well as the lives, times, and ideas of the Great Economists and Philosophers. A survey of the history of economics, with emphasis on the origins, nature, and evolution of leading economic ideas.

This course will situate economic ideas in their historical context, from Aristotle to early 20th century writers, to provide a deeper understanding of economic life and theories of it, emphasizing foundational issues such as the nature of human action and the social good; the role of the state in the economy; and the social and economic consequences of property, prices, money, production, trade and other defining attributes of commercial society.

It is expected to have gained the following skills: An ability to identify the development of economic thought from a historical perspective and how the economic thought of one historical period has contributed to the development of economic thought in a subsequent period. At the end of the course, students will also be able to clearly identify how economic theory has developed as a result of the evolution of economic thought.

Subjects Covered:

Overview, Economics, and its History

PART ONE: PRECLASSICAL ECONOMICS

1. Ancient Greece

The contribution of the Ancient Greeks: Plato and the Administrative Tradition. Aristotle: Two Party Exchange and Money and Interest.

2. The Medieval Era, 600-1500 and the Scholastics

Economics of Medieval Age: Feudal Society

Scholastic Economic Analysis

Labour and Expenses: The analysis of Albertus Magnus; Human Wants and "Just Price: Thomas Aquinas; Aggregation and Scarcity: The Influence of Henry Friemar; Effective Demand: The Contribution of Jean Buridan; Toward a Synthesis: Odonis and Crell; The Doctrine of Usury.

3. Early Modern Times (1500-1776), the Dawn of Capitalism and Mercantilism

Impacts of Discoveries on the European Economies; Mercantilism as Doctrine; Mercantilism as a Economic Progress; Transition to Liberalism.

Physiocracy “The Rule of Nature”: the Physiocrats François Quesnay: Physiocratic Theory and Policy; Physiocratic Economics (Tableau économique), Criticism of Physiocracy.

PART TWO: THE CLASSICAL PERIOD

Overview

- 1. Industrial Revolution:** the causes and determinations of Industrial Revolution in England; the rising of merchant-capitalist class, agricultural revolution, factory system and innovations.
- 2. The Classical School and Classical Economic thought:** concerning the elucidation of a theory of value and a labour theory of value. The focus of classical economic thought is on the accumulation of wealth and the economic mechanisms by which this occurs.
Adam Smith, Nature of Smith’s economic system, Natural Law and Property Rights; Self-interest and Economic growth; The Microeconomic Foundation of the Wealth of Nations; Income Distribution and Macroeconomic Foundations of Wealth of Nations.
David Ricardo, The Theory of Value, the classical Doctrine of Land Rent; the Ricardian System; The Theory of Comparative Advantages.
Thomas Malthus and Population: An Outline of the Theory, The Ricardo-Malthus Correspondence.
John Stuart Mill, the structure of Mill’s Inquiry into Economics; Normative economics and Stationary State and Wealth Redistribution;

The Decline of Classical Economics

3. Karl Marx and the Revolt against Classical Economics and Scientific Socialism

Marx Life and Works, Overview over Marxian System; Marx’s Economic Interpretation of History; The Nature of Capitalism; The Laws of Capitalist Motion; The Legacy of Marx.

- 4. Analysis of Capitalist Development: Joseph Schumpeter: Competitions, Dynamic and Growth. Main Outlines on his three books “Capitalism, Socialism, and Democracy”, “History of Economic Analysis” and “The Theory of Economic Development”:** Economic Model of Schumpeter: The Role of Entrepreneurship and Innovations in perfect competition.

PART THREE: THE NEOCLASSICAL PERIOD

Neoclassical School

Overview: This module evaluates the shift of economic thought from a qualitative perspective to a quantitative one. The emphasis is no longer the accumulation of wealth by society but a shift of focus to the individual.

- 1. Neoclassical Theorists ahead of time: Cournot and Dupit**
- 2. Microeconomics in Germany and Austria: Menger, Wieser and Böhm-Bawerk**
- 3. Microeconomics in England: William Stanley Jevons and Alfred Marshall: The Neoclassical Synthesis.**
- 4. The Vision and Impact of Leon Walras: Partial Equilibrium versus General Equilibrium**
- 5. Vilfredo Pareto: General Equilibrium and Welfare Economics**

PART IV:

- 1. John Maynard Keynes, General theory, and the Development of Modern Macroeconomics In General Theory: Major Theoretical Outline; Keynes and the History of Economic Thought**
- 2. Post-Keynesian Schools**
 - **Moderate Keynesians: the economy will eventually return to full employment but that age and price adjustment is sluggish so the process could take many years.**
 - **Extreme Keynesians: markets fail to clear in the short run but also not in the long - run.**
 - **Neo-Neo Classical School: The Neo-Classical Origins of monetarism. Milton Friedman**
 - **Modern Monetarism: Theory and Policy**
 - **New Classical Macroeconomics based on the twin principles of rapid market clearing and rational expectations.**
 - **Gradualist monetarists that full employment is restored within a few years, so higher prices main effect of higher money is simply.**
- 3. CONCLUSION: Basic Lessons from the history of economic thought**

Prerequisite: ECO 101, 102 and Econ 202, 204 (Introduction to Economics and Intermediate Macro and Microeconomics). Three hours lectures each week.

Assessment: Only one mid-term examination (worth 40%) and a comprehensive final examination (worth 60%) given during the final examination week. There will be no make-up exams.

Recommended Reading: To participate in this course, you will need to have regular access to the class, and you will need to follow the following books:

A.Sandmo, Economics Evolving A History of Economic Thought, Princeton University Press, 2011)

Robert L. Heilbroner: The World Philosophers, Touchstone, New York, 1999.

S. G Medema,., and Samuels, W. J., A History of Economic Thought: The LSE Lectures (Princeton University Press, 1998)

Robert B. Ekuland & Robert F. Hebert: A History of Economic Theory and Method McGraw-Hill International Editions, New York 1997.

Mark Blaug, Economic Theory in Retrospect, Cambridge University Press.1996.

Eric Roll: A History of Economic Thought", Great Britain, 1983.

John Robinson, An Essay on Marxian Economics, Macmillan Company, 1966

Shepard B. Clough and Charles W. Cole: Economic History of Europe, D.C. Heath and Company Boston, 1952