

CSS 220
Sophomore Economics Tutorial
2019-2020

History of Economic Thought
2-4 PM, PAC, Room TBA

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Course Description: The tutorial uses a topical approach to explore the history of economic thought. We begin with a brief introduction to writers who pre-dated Adam Smith: the scholastics, mercantilists and physiocrats. Over the subsequent weeks, we compare competing schools of economic thought: classical; Marxian; utilitarian; Austrian; neoclassical; and Keynesian. We include selections of radical critiques from the political right and left including monetarist, supply-side, behavioral, evolutionist and institutional approaches. The theoretical debates both reflect and shed light on the economic and social problems of their time. As you master the material, you should keep several goals in mind. First, learn to link the debates to the economic problems faced by nations over the past 300 years. Second, become skilled at explaining how economic theory has altered its shape and content from the 1700s to the present. Third, sharpen your awareness of the interaction between the scientific and the social aspects of human knowledge. Finally, develop and learn to defend your assessment of mainstream economics; decide which aspects reflect theoretic advancement and which are simply reflections of political agendas or outmoded perspectives. Throughout the course we will use contemporary articles to illustrate modern-day versions of the historical disputes. The course material is designed to provide a fuller context for what you learn in politics, history, and social theory while deepening your understanding of contemporary economic debates. If you need further motivation for studying the history of economic thought, consider the following famous quotation from John Maynard Keynes:

...the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. (The General Theory of Employment, Interest, and Money, Chapter 24, final paragraph).

Book Purchases: You may purchase copies of the major texts on line or at Wesleyan R. J. Julia Bookstore. For textbook information at the Wesleyan Bookstore, please visit the following link: <https://wesleyan.verbacompare.com/>.

Many of the readings for this course are available in electronic form. You may use the electronic links which I have provided in the weekly assignments. Although the electronic links provide the least expensive method of obtaining the readings, they may not offer the most effective method for working with the material. Hard copies may be especially important when you read large portions of a particular text and when you review the material at the end of the year in preparation for the comprehensive exams. I find that I remember more of a text when I have a hard copy to work with.

Required Purchases:

- Hacker, Diana. *Pocket Style Manual*. New York: Bedford/St. Martins, 2011.
- McCloskey, Dierdra. *Economical Writing*. Long Grove, IL: Waveland Press Inc., 1999.
- Schumpeter, Joseph. *Capitalism, Socialism, & Democracy*. New York: Harper Perennial.
- Pujol, Michele. *Feminism and Anti-Feminism in Early Economic Thought*. North Hampton, MA: Edward Elgar, 1998.

Recommended Purchases and Links to Free On-Line Sources:

Veblen, Thorstein. *The Theory of the Leisure Class*. We read practically the whole book. [LINK](http://socserv2.mcmaster.ca/~econ/ugcm/3ll3/veblen/leisure/index.html)
<http://socserv2.mcmaster.ca/~econ/ugcm/3ll3/veblen/leisure/index.html>

Malthus, Thomas. *An Essay on the Principle of Population*. We read practically the whole book. [LINK1\(1978\)](http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/malthus/popu.txt);
<http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/malthus/popu.txt>

Smith, Adam. *The Wealth of Nations*. We read substantial portions. [LINK](http://socserv.mcmaster.ca/econ/ugcm/3ll3/smith/wealth/index.html)
<http://socserv.mcmaster.ca/econ/ugcm/3ll3/smith/wealth/index.html>

Smith, Adam. *The Theory of Moral Sentiments*. We read substantial portions. [LINK](http://socserv.mcmaster.ca/econ/ugcm/3ll3/smith/moral.html)
<http://socserv.mcmaster.ca/econ/ugcm/3ll3/smith/moral.html>

Ricardo, David. *Principles of Political Economy and Taxation*. We read substantial portions. You can read or download the document in the form of a pdf at [LINK](http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/ricardo/index.html)
<http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/ricardo/index.html>

Marx, Karl. *Capital, Volume I*. We read substantial portions. [LINK](http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/marx/index.html)
<http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/marx/index.html>

Jevons, W. Stanley. *The Theory of Political Economy*. We read substantial portions. [LINK](http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/jevons/index.html)
You can read or download the document in the form of a pdf at
<http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/jevons/index.html>

Keynes, John Maynard. *The General Theory*. We read the whole book. [LINK](http://www.marxists.org/reference/subject/economics/keynes/general-theory/index.htm)
<http://www.marxists.org/reference/subject/economics/keynes/general-theory/index.htm>

Important Links to Internet Sources for Additional Texts:

The McMaster University Archive for the History of Economic Thought
<http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/>

The Marxist Internet Archive
<http://www.marxists.org/>

Additional Readings: Additional readings are available in either hard copy or electronic form. at Olin Library's Reserve system. For electronic copies, go to Wesleyan Library's web page,

<http://www.wesleyan.edu/library/> and click on Course Reserves. Then select On-line Reserves. This will bring up the E-reserves search page. Find the page for our course and type the password **CSS220**. The readings are listed alphabetically by author. If no author is listed, the item will be listed alphabetically by title. For hard-copy reserve readings, go to the Reserve Desk at Olin Library. Some hard copies and extra texts will also be placed in the CSS library shelf provided for our class. However, prior-year problems with this method convinced me that the Olin Reserve system is preferable. Too many copies disappeared from the CSS library or were monopolized for extensive periods of time. When possible, I will also provide links to electronic copies of readings on the Moodle page for this course.

Supplemental. Secondary Texts: Prior to looking for interpretations from secondary readings, you should try to tackle the original texts on your own. However, after reading the original works, you may find it helpful to consult a secondary text. If you do make use of supplemental secondary texts, please try to compare interpretations across several secondary sources. Notice both similarities and differences in the interpretations. Below is a partial list of helpful secondary sources available in Olin Library.

Helpful Secondary Sources Available in Olin Library:

Barber, William. *A History of Economic Thought*.
Blaug, Mark. *Economic History and the History of Economics*
Blaug, Mark. *Economic Theory in Retrospect*
Canterbury, E. Ray. *The Making of Economics*
Dobb, Maurice. *Studies in the Development of Capitalism*
Eagly, Robert V. *The Structure of Classical Economic Theory*
Fusfeld, Daniel R. *The Age of the Economist*
Gray, Alexander and A. E. Thompson. *The Development of Economic Doctrine*
Heilbroner, Robert L. *The Worldly Philosophers*
Heilbroner, Robert L. *The Making of Economic Society*
Heimann, Eduard. *History of Economic Doctrines*
Lowe, Adolph. *On Economic Knowledge*
Pack, Spencer. *Aristotle, Adam Smith and Karl Marx*
Pack, Spencer. *Capitalism as Moral System: Adam Smith's Critique of the Free Market Economy*
Rima, Ingrid. *Development of Economic Analysis*
Robinson, Joan and John Eatwell. *An Introduction to Modern Economics*
Roll, Eric. *History of Economic Thought*
Routh, Guy. *The Origin of Economic Ideas*
Schumpeter, Joseph. *History of Economic Analysis*
Taylor, Overton. *History of Economic Thought . . . Quesnay to Keynes*
Weintraub, Sidney. *Modern Economic Thought*
Weintraub, Sidney. *Keynes, Keynesians and Monetarists*
Commanding Heights Online (See the following link and explore Episode I, Chapters 2-12)
<http://www.pbs.org/wgbh/commandingheights/hi/story/index.html>

Students with Disabilities:

Wesleyan University is committed to ensuring that all qualified students with disabilities are afforded an equal opportunity to participate in, and benefit from, its programs and services. To receive accommodations, a student must have a disability as defined by the ADA. Since

accommodations may require early planning and generally are not provided retroactively, please contact Accessibility Services as soon as possible.

If you have a disability, or think that you might have a disability, please contact [Accessibility Services](#) in order to arrange an appointment to discuss your needs and the process for requesting accommodations. Accessibility Services is located in North College, rooms 021/022, or can be reached by email (accessibility@wesleyan.edu) or phone (860-685-5581).

Paper deadlines and Tutorial Attendance: Please submit both a hard copy and an electronic copy of each weekly essay. An electronic copy of your essay should be uploaded to the appropriate Moodle link prior to each 2pm Friday tutorial. A hard copy of your essay is due in class no later than the start of the Friday tutorial at 2pm. These are strict deadlines. Note that you are expected to attend the full two hours of each tutorial. Late papers and missed class time disrupt the structure of the tutorial and will have serious consequences. Be sure that you read the excerpt below from the CSS Student Handbook concerning the consequences for absences and late papers.

From CSS Handbook: <http://www.wesleyan.edu/css/formajors/studenthandbook.html>

Absences and Late Papers: Sophomores must attend all tutorials with a completed paper. Likewise, they must attend every session of the colloquium and submit its assignments when due. Absence from classes undermines a common learning experience, and failure to finish papers on time breaks the chain of effort and criticism on which the tutorial method depends. Absence from any tutorial or the colloquium for any reason or failure to complete a paper on time will be reported to the CSS co-chairs and will result in the student being placed on *warning* within the major. A second absence or late paper within that tutorial sequence or the colloquium for any reason will result in the student being put under *review*. Depending on the circumstances, a review for failure to attend class can result in separation from the CSS major. A review for late papers initiates late paper procedures <http://www.wesleyan.edu/css/formajors/latepapers.html>. Failure to comply with these procedures or a third late paper will normally result in separation from the major.

College of Social Studies

Sophomore Economics Tutorial

Topic in the History of Economic Thought

2019-2020

W. Rayack

Week 1

Society & Markets

Readings:

For background:

Staley, Charles (1992) *History of Economic Thought: From Aristotle to Arrow*, [ER](#) p.3-40
Pages 1-2 will be handed out at our pre-tutorial meeting.(Focus on Aristotle, the scholastics, and the physiocrats; Skip the mercantilists for now.)

Primary sources from the 1700s:

Mandeville, Bernard. (1705) "The Grumbling Hive," (**Pay particular attention to the first and last stanzas!**) [LINK http://andromeda.rutgers.edu/~jlynch/Texts/hive.html](http://andromeda.rutgers.edu/~jlynch/Texts/hive.html)

Smith, Adam.(1759) *The Theory of Moral Sentiments*, Part I, Sect. I, Chap. I-V; Part III, Ch. II, paragraphs 1-7 and Chap. IV; Part VII, Sect. II, Chap. IV (**Note discussion of Mandeville!**)

Smith, Adam. (1776) *An Inquiry into the Nature and Causes of The Wealth of Nations*,

Book I: "Introduction and Plan of the Work"; Chapters 1-3 (Focus on Division of Labor, Propensity to Truck, and Extent of the Market); Chapter 4 (Focus on Value in Use versus Value in Exchange); Chapter 6, "Of Component Parts of the Price of Commodities"; Chapter 7, "Of the Natural and Market Price of Commodities"

Book II: "Introduction"; Chapter 1, (Focus on fixed and circulating capital); Chapter 2, Paragraphs 90 to 94 (on regulating banks); Chapter 3, (Focus on unproductive labor; benefits of parsimony); Chapter 4, "Stock Lent at Interest" up to paragraph 14 only.

Additional readings, listed in order of importance for the essay assignment:

Polanyi, Karl. (1944) *The Great Transformation*, "Societies and Economic Systems," Foreword, p. ix-xii; Ch. 3 on the enclosure movement; Ch.4 on individual motives, social cohesion, reciprocity and redistribution [ER](#)

Christ, Carl F. *The Competitive Market and Optimal Allocative Efficiency* [ER](#)

Hayek, Friedrich. (1968) "Competition as a Discovery Procedure." [ER](#)

Pujol, Michele. (1998) *Feminism and Anti-Feminism in Early Economic Thought*, "Preface to the Paperback Edition", "Introduction", and p. 15-23. (Hard-copy reserve at Olin Library)

Background: We start this week with essential background from a secondary source, *History of Economic Thought: From Aristotle to Arrow* by Charles Staley. Staley describes the writings of Aristotle (384-322 BC), the scholastics (c. 13th-14th centuries), the mercantilists (c. 16th-18th centuries) and the physiocrats (18th century). His introduction to economic thought reveals that efforts to establish "economic truths" far pre-dated Adam Smith. This background sets the stage for our dive into primary sources.

Our first reading from primary sources begins with Bernard Mandeville's satirical economic poem, "*The Grumbling Hive*" (1705). Mandeville's cynical view of economic activity contrasts sharply with Adam Smith's rosy image of the economy as a complex but well-working machine. For a full understanding of Mandeville's perspective, be sure to give careful attention to the first and the final stanzas of Mandeville's poem. Ask yourself how Mandeville can possibly maintain faith in a functioning economic system given his cynicism about human nature.

To introduce Adam Smith, we start with his early philosophical work, *The Theory of Moral Sentiments* (1759). Smith wrote this manuscript more than a decade before writing his more well-known book, *An Inquiry into the Nature and Causes of the Wealth of Nations*. You may want to compare Smith's view of human psychology from *Moral Sentiments* with his later view of self-interested behavior in the realm of markets. Ask yourself whether there is a way to reconcile the two perspectives. Are the two views compatible? Or has Smith's thinking taken a completely new direction by the time he writes the *Wealth of Nations*?

Smith's *Wealth of Nations*, published in 1776, spells out a comprehensive theory of markets. His framework becomes the foundation for modern-day *microeconomic* theory. (We will later study Keynes, the founder of modern-day *macroeconomics*.) A fundamental concept for Smith is the productivity-enhancing nature of specialization. He provides a detailed description of production processes in which the division of labor has reached particularly advanced stages entailing a remarkably minute breakdown of tasks. As Smith makes clear, the resulting productivity gains work through multiple channels. Make note of these as you read.

Smith recognizes that the rise in specialization will create heightened interdependence. However, this increased reliance on others is no cause for concern; wants will be satisfied through the pure self-interest of buyers and sellers. The unrestricted workings of the market provide the mechanism for coordinating a diverse set of economic desires. Moreover, the benefits of specialization tend to grow with the extent of the market. Thus, the expansion of trade becomes a source of improved opportunities for consumption and a powerful engine of economic growth.

In order to encourage you to think more deeply about Smith's classical analysis and the subsequent neoclassical formulations, I have added readings by Karl Polanyi (1886-1964), Friedrich Hayek (1899-1992), Carl Christ (1923 - 2017) and Michele Pujol (1951-1997). Remember that the modern-day neoclassical school of economics does not emerge until the 1870s. It coincides with the birth of marginalist analysis and the use of calculus to examine economic questions. We will explore the birth of the neoclassical school of economics in week six of this tutorial.

Polanyi's book, *The Great Transformation*, offers a critique that is relevant for both the classical and the neoclassical school of economics. Polanyi argues that the market relations and behavioral motives described by Smith are neither historically typical nor natural and universal. Polanyi's analysis starts from viewing man as a social being. The trait of social orientation, not acquisitiveness, is the primary motivation for human behavior. It includes both status and interdependence. In other words, both hierarchies and linkages regulate human behavior. From

Polanyi's perspective, the division of labor long pre-dates capitalism. He locates its source in the interdependencies of human life.

In chapter 3, Polanyi uses the enclosure movement to illustrate his view. He points out that economic change often brings painful social dislocation. In response, societies attempt to slow disruptive transformations. They implement policies designed to ease the human fallout.

Polanyi rejects the claim, commonly attributed to Smith, that markets have always held a dominant role in structuring human interactions. We see this argument in chapter 4. Throughout most of human history, according to Polanyi, tradition, hierarchy, social status, family position and rank in the community have all played a greater role than markets in determining how people interact.

The next reading is from Carl Christ (pronounced with a short "i" as in "list.") While Polanyi (1886-1964) uses an institutional/historical approach to economic analysis, Carl Christ (1923-2017) provides an example of a modern-day, neoclassical approach. In the reading by Christ, we see the debt that neoclassical economics owes to the classical economics of Adam Smith. In both schools of thought, unfettered markets cause private actions to improve public welfare. Despite the marginalist overlay that the neoclassical economists add, much of the central argument can be traced back to Smith.

Note that very specific conditions are required to ensure that free markets successfully reconcile private and public interests. In an update of Smith's argument, Christ provides a neoclassical account of those conditions. This reading by Christ raises the following questions for you to consider: Are the conditions identified by Christ all present in Smith's *Wealth of Nations*? In Christ's exposition, what aspects simply re-state Smith's account? What aspects are new?

Friedrich Hayek's perspective on the benefits of unrestrained market competition reflects his background in the Austrian school of economics. Both Christ and Hayek (1899-1992) have faith in markets and the competitive process. Yet important differences become apparent. Christ emphasizes equilibrium prices, gains from allocative efficiency and instances of market failure. In contrast, Hayek rejects the static equilibrium approach. Allocative efficiency is not emphasized. In addition, Hayek seems uninterested in market failure. Instead, he highlights the *dynamic* nature of competition and emphasizes its role in revealing information that provides the basis for innovation. While reading the material for this week, note that Mandeville, Polanyi, Hayek, Smith and Christ all have rather different understandings of the competitive market, what purposes it serves, and how it functions.

Michele Pujol provides a feminist critique of the classical school of economics. Pujol's review of early economic thought reveals a paucity of reflection on the economic role of women. We see very little on women in general. The literature is largely silent on their special position in the division of labor. It ignores their importance for the reproduction of the family, the life of the community, the maintenance of the society and the existing economic system. With this point in mind, Pujol offers a thought-provoking critique of Smith. She notes that, for an advocate of individual agency and action, Smith has remarkably little to say about the economic status of women. In future weeks, we will find some important exceptions to what Pujol deems a "male-centric" economic theory.

Essay Assignment: Drawing *only* upon the assigned readings for this week, make a case for or against the following statement:

“The authors studied this week generally agree on the nature of the competitive market system. The areas of conflict are minor compared to the substantial areas of consensus.”

(Hint - - You might consider the authors’ views on any of the following aspects the market system: its universality across cultures and over time; its dominance historically; its impact on human progress and wellbeing; its requirements for successful functioning; the specific conditions that are necessary for ensuring its achievements; the desirability of interfering with its advance; whether it serves society best when it is unfettered or when it is regulated.)

Think of your first essay as a trial run. We will use it as an example of what to do and what not to do in your subsequent essays.

The most important goal for this essay is to find a thesis that you are comfortable defending. State that thesis at the very start of the essay. Avoid lengthy introductions. Simply state your theme.

The second task is to assemble the evidence in support of your thesis. Jot down these pieces of evidence. Group them into categories. Note that evidence comes in a variety of forms: quotes from the authors; historical examples; institutional details; dates; statistics, and logical arguments. Remember to record the page from which you collect each piece of evidence.

The outline: Once you have accomplished those first two tasks, focus on your third task which is to develop a well-structured, well-organized defense of your thesis. **Organize your arguments and pieces of evidence into a logical, well-structured outline.** Only after completing that task should you begin to write your essay.

The first draft should not be your final draft! For the first draft, get your ideas down on paper quickly along with the supportive pieces of evidence. **Make sure to place all quotes and borrowed phrasing within quotation marks in order to avoid plagiarism!** Provide the source by noting the author and page number. Remember that footnotes and source information do not substitute for quotation marks! **Even if footnotes and source information are provided, you can be plagiarizing if you fail to put the borrowed phrasing within quotation marks!**

The final draft should be proofed and free any writing glitches or typos. In writing the final draft, be sure to make the writing crystal clear.

The final paragraph should conclude by reinforcing your major argument. Remind the reader of the case that you have successfully made in support of your original thesis statement.

Please use Chicago-style format for your references: The required textbook by Diane Hacker, *A Pocket Style Manual*, provides essential information on Chicago style, the proper format for providing references, the format for a bibliography, advice for guarding against plagiarism, and helpful hints on clear writing. Please make use of this valuable resource!

Paper length and details: Essays should be 3-4 pages, double spaced, with one-inch margins and 12-point font. Number the pages! I refer to these page numbers when I respond to your paper. Make sure that your name is on the paper. In supporting your arguments with evidence from the readings, make frequent references to specific examples from your texts. However, do not hand in a paper that simply strings together quotes from your texts. **Introduce quotes. Interpret quotes. Use your own words to explain how a particular quote supports your argument.** If you use a rather long quote, indent and use single spacing.

Paper deadlines: Please submit both a hard copy and an electronic copy of each weekly essay. An electronic copy of your essay should be uploaded to the appropriate Moodle link prior to each 2pm Friday tutorial. A hard copy of your essay is due in class no later than the start of the Friday tutorial at 2pm.

Content to consider: The questions below will help you focus on essential details of this week's material. Please jot down answers to at least four of these questions before you attend your group meeting with your preceptor. The preceptor-led discussion will be of most value if you come prepared to discuss answers to several of these questions. You may choose which questions you prefer to tackle. The preceptor may ask you to report on the questions you have selected. Be prepared to share your thoughts with the class and to offer constructive responses to the answers that your classmates suggest.

1. Exactly how does the division of labor promote productivity according to Smith?
2. What does Smith mean by natural price? Market price? Use value? Exchange value? Extent of the Market? Fixed capital versus circulating capital? Productive versus unproductive labor? The benefits of parsimony?
3. Compare Smith to Aristotle and to the scholastics on issues of "just price" and "usury."
4. How does Smith compare to the Physiocrats on sources of surplus and economic progress?
5. How does the competitive market reconcile public and private interests? What specific conditions are necessary?
6. Is Smith's view of human psychology from Moral Sentiments compatible with his view of self-interested behavior from Wealth of Nations?
7. Does the increased interdependence inherent in specialization successfully mesh with "egotistical" self-interested man in Smith's view? If so, how is this possible?
8. What does Smith mean by the extent of the market, and why does he find it important?
9. Is the analysis of "The Grumbling Hive" compatible with Smith's "Invisible Hand?"
10. Is vice a virtue according to both Mandeville and Smith? Does government policy and regulation play a role in either of these two stories?
11. What is new and what is simply "more of the same" when you compare Christ's neoclassical understanding of competitive markets with Smith's classical view?
12. How is Hayek's understanding of competitive markets different from the classical view from Adam Smith and the neoclassical view from Carl Christ?
13. Does Smith's work represent evolution or revolution in economic thought? (Consider Aristotle; Consider the scholastics)
14. How does Polanyi differ from Smith on the following subjects? (a) economic progress and social dislocation; (b) the role of policy in economic transformation; (c) the origins and purposes of the division of labor; (d) the dominance of markets throughout human

history; (e) the relative importance of unfettered markets versus societal goals in advancing the progress of humankind.

15. What explains Smith's silence on the role and status of women? What are the consequences of this silence for the history of economic thought?

More on Essay Mechanics and Requirements: I strongly recommend that you follow my advice to outline your argument before you begin to write. Please do not hand in an un-revised, un-edited first draft. Revise, edit, and polish before you submit the final paper. **Clarity is essential in economic analysis. Keep the writing simple! Avoid convoluted sentence structures. Omit extraneous words.**

For more valuable advice on writing an economics essay, you might find it helpful to read the required text by Dierdre McCloskey on *Economical Writing*. **Note the emphasis on using a straightforward writing style which is free of unnecessary verbiage.**