

**SYLLABUS**  
**ECONOMICS 105**  
**“History of Economic Thought”**  
**Summer 2009 / UC Berkeley**

Professor: Dr. Jack Rasmus  
 Hours: MTWTh 12:00-1:30  
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***Course Description:***

This course surveys the main schools in the history of the development of economic thought, beginning with the ‘Classical’ school and the works of Smith, Ricardo, J.S. Mill, Thornton, Say, and others. It then reviews challenges to the classical school by Marx, Marginalists, and subsequent key figures like Marshall, Walras and the ‘Neoclassicalists’. Economic thought associated with the early 20<sup>th</sup> century transitionalists are briefly addressed, including economists such as Wicksell, Schumpeter, Fisher, and others. *Selective* chapters and passages of Keynes’ General Theory are read in depth, focusing in particular on Keynes in areas of investment, interest rate theory and money demand. Post-1945 revisions of Keynes and Neoclassical economics in the form of early and late ‘IS/LM’ analysis are reviewed, and its main challenges by Friedman (Monetarism), Lucas (Rational Expectations), Real Business Cycle theorists, and Post-Keynesian thought (UK and US). The course concludes with a consideration of ‘efficient markets’ theory and the views of its critics such as Tobin, Hyman Minsky, Shiller, and others. Throughout the course, economic theories will be examined in light of the inter-relationships between theory, policies and conditions—including responses to the current financial and economic global crises since 2006.

***Required Readings***

1. D. P. O’Brien, The Classical Economists Revisited, Oxford Univ. Press, 2004.
2. J. M Keynes, General Theory of Employment, Interest and Money, Prometheus Books, 2005 (Selections)
3. Friedman, Milton Friedman on Economics, Univ. Chicago Press, 2007
4. B. Snowdon and H. Vane, Modern Macroeconomics, Elgar Publishers, 2005 (Selections).

## ***Recommended Readings:***

5. S. Medema and W. Samuels, The History of Economic Thought: A Reader, Routledge, 2003 (Selections)
6. Duncan Foley, Understanding Capital: Marx's Economic Theory, Harvard Univ. Press, 1986.

## ***Class Daily Process***

This class will follow a particular process, combining periods of class participation and discussion with traditional lecture format conducted by the Professor. The process is roughly as follows:

12:00-12:05: Administrative issues, roll, general Q&A

12:05-12:15: Class discussion on prior day assigned 'Thought Questions'. Students may volunteer or may be called upon to share their View and opinions on the questions.

12:15-1:25: Lecture on course material and readings

1:25-1:30: Presentation of next day's thought question

## ***Course Grade Determination***

**Final Course Grade** will be determined as follows:

Thought Questions <sup>(1)</sup>	20% (200 pts possible)
Midterm Exam <sup>(2)</sup>	20% (200 pts)
Term Paper <sup>(3)</sup>	30% (300 pts)
Final Exam <sup>(4)</sup>	30% (300 pts)
Classroom Participation <sup>(5)</sup>	

- (1) There will be 20 'Thought Questions', roughly 3 per week. A question will be distributed at the end of each class, MTW. Students will be required to answer each question, no more than one half typed page, and turn answers in at the beginning of class the following day, TWTh. 'Thought Questions' are designed to think in depth after class about a significant issue covered in the preceding lecture. There are no 'right' answers to the Thought Question. But students need to 'think' critically about key issues and questions and provide reasoned answers based on their assessment of the readings and

lectures. Each question answered and submitted is equivalent to 1.0% of student's final grade, with max of 20 pts.

- (2) The Midterm Exam will consist of two essay questions, chosen from a list of three questions provided.
- (3) A term paper of 10-15pp. is required on one of the topics listed in Appendix A below. No more than two students may sign up for the same topic. Sign ups for term paper topics must be made by June 26. Exceptions to the list must be approved by the Professor.
- (4) The Final Exam will consist of two essay questions, chose from a list of four questions provided. The topics for the questions for the final exam will cover material addressed in class from the midterm only.
- (5) Regular and consistent classroom participation by students may merit, at the professor's discretion, an increase in the student's final earned letter grade the equivalent of one-third a grade level (example: if your total earned pts equals 890 (a B+), you may be raised to A- if you have regularly participated in discussions provided for at the start and ending of each class).

**Course Letter Grades** are determined based on the following total points:

Grade Percentage Points		
A	90-100	900-1000
B	80-89	800-899
C	70-79	700-799
D	60-69	600-699
F	59 or less	<600

## ***Class Sessions, Topics, and Readings:***

### **Week 1: Economic Thought Before Adam Smith**

Class 1: Science, Ideology and Paradigms in History of Economic Thought

Class 2: The Economics of Mercantilism

Class 3: Precursors to Smith: Some Important Themes

Class 4: The Contributions of Physiocracy

#### **Readings:**

F. Pajares, "A Synopsis of Kuhn's 'The Structure of Scientific Revolutions'" (handout)

J. Schumpeter, "Science and Ideology", *American Economic Review*, v. 39, 1949, pp. 345-59.

- M. Blaug, "Paradigms and Research Programs in the History of Economics", from *Method and Appraisal in Economics*, Cambridge Univ. Press. (handout)
- M. Bordo, "Some Aspects of the Monetary Economics of Richard Cantillon", *Journal Of Monetary Economics*, v. 12, 1983.
- C. Wennerlind, "David Hume's Monetary Theory Revisited: Was He Really a Quantity Theorist and Inflationist?", *Journal of Political Economy*, v. 113/1, 2005.

(recommended)

Medema & Samuels, pp. 30-44, 95-118 (Mun, Quesnay, Turgot).

Medema & Samuels, pp. 45-56, 78-94, 145-152 (Petty, Cantillon, Hume)

## **Week 2: Classical Theories of Value, Growth and Distribution**

Class 5: Smith and Ricardo on the Theory of Value

Class 6: Later Subjectivist Theories of Value

Class 7: Classicalists on the Determinants of Economic Growth

Class 8: Classical Theories of Income Distribution

### **Readings:**

O'Brien, Chapters 4,5, and 8

(recommended)

Medema & Samuels (Value Theory): 161-165 (Smith), 259-272 (Ricardo), 315-316 (J. Mill), 319-324; 329-332 (Senior), 337-349 (J.S. Mill)

Medema & Samuels (Econ. Growth): 156-161; 165-179 (Smith), 196-207; 293-302 (Malthus), 282-290 (Ricardo), 325-326 (Senior),

Medema & Samuels (Distribution): 272-282 (Ricardo), 302-311 (Malthus), 314-315 (J. Mill), 326-329 (Senior), 335-337 (J.S. Mill)

## **Week 3: Classical Economics on Money, Banking, and Policy**

Class 9: Classical Monetary Theory

Class 10: Classical Public Finance

Class 11: Say's Law, 'Gluts', and Business Cycles

Class 12: Classical Economic Policy in Theory and Practice

### **Readings:**

O'Brien, Chapters 6, 9, 10, 7 (p. 228-244)

(recommended)

Medema & Samuels: 63-77 (Locke), 131-145 (Hume)

Medema & Samuels: 220-234 (Thornton), 235-244 (Ricardo), 220-234 (Thornton), 235-244 (Ricardo)

Medema & Samuels, pp. 302-311 (Malthus), 245-255 (JB Say), 350-367 (J.S. Mill); 237-244 (graphs)

#### **Week 4: Marxist Economics: Classical Or Not?**

Class 13: Marx and the Labor Theory of Value

Class 14: Marx's Theory of Money

Class 15: Marx on Distribution

Class 16: Marx's Theory of Capital Accumulation and Crises

#### **Readings:**

(recommended)

Foley, pp. 1-170

Medema & Samuels, pp. 375-407

***MIDTERM: Take Home Exam*** (distributed Thursday; due Monday)

#### **Week 5: Marginalists, Marshall, and Late Neoclassical Economics**

Class 17: Marginalist and Walrasian General Equilibrium Analyses

Class 18: Late Marshall on Money and Credit

Class 19: Wicksell and Fisher on Interest Rates

Class 20: Schumpeter, Fisher, & Kalecki on Business Cycles

#### **Readings:**

[www.homepage.newschool.edu/het/essays/margrev/margrevcont.htm](http://www.homepage.newschool.edu/het/essays/margrev/margrevcont.htm)

Thomas Humphrey, "Fisher and Wicksell on the Quantity Theory", Federal Reserve Bank of Richmond *Economic Quarterly*, v. 83/4, Fall 1997, p.71-89.

Irving Fisher, "The Debt Deflation Theory of Great Depressions", *Econometrica*, v. 1., n. 1, 1933, pp. 337-57

Joseph Schumpeter, "The Explanation of the Business Cycle", *Economica*, v. 7, 1927, pp. 286-311

M. Kalecki, "A Theory of the Business Cycle", *Review of Economic Studies*, v. 4, n. 2, 1936, pp. 77-97

(recommended)

Medema & Samuels: 181-191 (Bentham), 413-442 (Jevons), 443-462 (Menger)  
462-477 (Walras), 501-522 (Marshall)

Medema & Samuels: 255-260 (Wicksell), 562-587 (Fisher)

## **Week 6: Keynes' Theory of Money, Investment, and Cycles**

Class 21: Keynes vs. Say's Law and Classical Economics

Class 22: Keynes' Theory of Investment

Class 23: Keynes on Money and Speculation

Class 24: Keynes on the Business Cycle

### **Readings:**

Snowdon & Vane, pp. 36-99

Keynes, General Theory, Chapters 11-18, 22

## **Week 7: Neoclassical Synthesis and Monetarist Challenge**

Class 25: The Hicks-Hansen-Samuelson IS-LM Transformation

Class 26: Phillips Curve Debates

Class 27: Friedman's Fundamental Monetarist Propositions

Class 28: Critiques of Monetarism

### **Readings:**

Snowdon and Vane, chapter 3 (ISLM); Chapter 4 (Monetarism)

M. DeVroey, "IS-LM a la Hicks versus IS-LM a la Modigliani", *History of Political Economy*, v. 32, n. 2, 2000, pp. 293-316.

Friedman, Milton Friedman's Economics: Selected Papers, pp. 1-22, 89-134

M. Friedman, "A Theoretical Framework for Monetary Analysis", *Journal of Political Economy*, March 1970.

(recommended)

J. Hicks, "Mr. Keynes and the 'Classics': A Suggested Interpretation", *Econometrica*, v. 5, 1937, pp. 147-59.

R.G. Lipsey, "The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957: A Further Analysis", *Economica*, v. 27, p. 1-31.

P. Samuelson and R. Solow, "Analytical Aspects of Anti-Inflation Policy", *American Economic Review*, v. 50, pp. 177-94.

J. Tobin, "Inflation and Unemployment", *American Economic Review*, v. 62, pp. 1-26.

**TERM PAPER DUE following Monday**

## **Week 8: Economic Thought at Historical Crossroads?**

Class 29: Rational Expectations, Real Business Cycles & Efficient Markets

Class 30: Hyman Minsky's 'Financial Instability Hypothesis'

Class 31: Understanding 'Epic' Recession and Financial Crisis, 2007-09

Class 32: Final Exam

### **Readings:**

Snowdon and Vane, chapter 5, 6, 8

H. Minsky, "Financial Instability Hypothesis", 1992; "The FIH: A Restatement";  
"Securitization" (3 handouts)

J. Rasmus, "Speculative Capital, Financial Crisis, and the Emerging Epic Recession",  
*Critique*, v. 37, n. 1, Feb. 2009; "Epic Recession Revisited", *Z Magazine*, January 2009

(recommended)

L. Randall. Wray and Eric Tymoigne, "Macroeconomics Meets Hyman Minsky: The  
Financial Theory of Investment", The Levy Institute, *Working Paper 543*, Sept-  
ember 2008

**FINAL EXAM: (last Thursday of the term)**

### **APPENDIX A: Term Paper Topics**

(Will be made available for student consideration on first day of class. Sign ups for paper topics no later than end of the first week).