

ECON 274: HISTORY OF ECONOMIC THOUGHT

University of Pennsylvania: Spring 2021

Instructor: Fernando Arteaga

TA: Jonathan Arnold

*“Someone said: ‘The dead writers are remote from us because we know so much more than they did.’
Precisely, and they are that which we know”
(T.S. Elliot, 1919)*

1 Course Overview

Is the market price a just price? Why a centralized command may work within firms but not across societies? Why capital is a troublesome concept to define? Why do central banks monopolize the issue of currency? Is credit, money? Should economics study non-economic aspects of social life? Is economic growth the responsibility of the State? This course will study and discuss these and many other important perennial micro and macroeconomic questions. The emphasis will be put on exploring these issues through a historical perspective. We will address how intellectuals of the past approached these topics, and more importantly, we will assess how they still influence the way we think about economics today.

The class serves as complement of standard economics courses. The aim is to broaden the student’s understanding of economic issues—by reflecting on how past thinkers, and the debates in which they were involved, created the current common pool of knowledge in our profession. The class is organized in a topical rather than chronological way. We will survey several themes: from some technical issues like the Cambridge capital controversies to more epistemological questions like trying to answer what is the proper role of an Economist.

2 Instructor

A few words about me. I am originally from northern Mexico. I received a B.Sc. in Economics from UNAM in Mexico City. I got my Ph.D. in Economics from George Mason University in Virginia. My scholarly work focuses on economic history, the economics of institutions, and development economics. I want to be available for your questions as much as possible. The best way to reach me is via email at arteaga@sas.upenn.edu. I usually answer questions via email within a day.

3 Readings

We will mainly be reading journal articles. I recommend you to get the following book, as a many of texts we will be studying are compiled in it.

Joseph Schumpeter (1991e). *Joseph Schumpeter. The Economics and Sociology of Capitalism*. Ed. by Richard Swedberg. Princeton, NJ: Princeton University Press

In any case, all of the readings will be available for download in Canvas. In addition, they can also be downloaded from either JSTOR or alternative academic repositories, all of which can be accessed through Penn library.

4 Class Structure

The course will be organized around three components:

- One *asynchronous* recorded administrative video of around 30 minutes where I will introduce the course and describe the rules we will follow.
- 12 *asynchronous* recorded lectures of around 90 minutes each. Each lecture will be divided into several smaller video segments.
- Seven *synchronous* online Q&A sessions of 60 minutes each

In addition, we will hold office hours. Details will be announced via Canvas. If you have questions regarding the recorded lectures or the material at large, the default place to ask them should be the online Q&A sessions, to help all the students with the material and enrich the conversation. The office hours should be reserved for questions that are specific to each student. Notice that you can submit your question by email before the online Q&A session starts if that is more convenient for you or you find written questions easier. Please let us know if you prefer us to refer to you as "a student" or by your name.

4.1 Recorded Lectures and Q&A Sessions

During each of the 12 weeks of instruction of the semester, we will post on Canvas one recorded lecture. The lecture's duration will be around 90 minutes, divided into shorter segments. We will post the recorded lecture by 9:00 am of the announced day (and, often, the day before).

Approximately once every two weeks, we will have a Q&A session on Zoom, where we will answer questions about the material of the class and have open-floor discussions about some topics of interest related either with the recorded lectures or the readings. We will post the Zoom links at least 24 hours before each meeting. The Q&A will start on 1:30 PM EST (our "regular" teaching time). The Q&A session will last until 2:30 EST or until we run out of the questions. We will record the Q&A and post it on Canvas sometime after we finish for your review (or to help those students who are spending the semester in a different time zone).

- **Week One.** Introduction
 - Administrative Lecture •*19th January*•
 - Q&A Session •*21th January*•
- **Week Two.** The Scope of Economics (i)
 - Lecture •*26th January*•
- **Week Three.** The Scope of Economics (ii)
 - Lecture •*2nd February*•
 - Q&A Session •*4th February*•
- **Week Four.** Price Theories
 - Lecture •*9th February*•
- **Week Five.** Trade Theories

- Lecture •*16th February*•
- Q&A Session •*18th February*•
- **Week Six.** Wage Theories
 - Lecture •*23 February*•
- **Week Seven.** Capital and the meaning of Capitalism
 - Lecture •*2nd March*•
 - Q&A Session •*4th March*•
- **Week Eight.** SPRING BREAK
 - No class
- **Week Nine.** First Midterm
 - ***EXAM • 16th March***•
- **Week Ten.** Money and Finance
 - Lecture •*23th March*•
- **Week Eleven.** Firm Theories
 - Lecture •*31st March*•
 - Q&A Session •*1st April*•
- **Week Twelve.** Technology
 - Lecture •*6th April*•
- **Week Thirteen.** Institutions
 - Lecture •*13th April*•
 - Q&A Session •*15th April*•
- **Week Fourteen.** The State
 - Lecture •*20th April*•
 - Q&A Session •*22th April*•
- **Week Fifteen:** Second Midterm
 - ***EXAM • 29th April***•

5 Course Requirements and Grades

The evaluation of this class will be based on two items: two midterms, and reading reports.

5.1 Exam

There will be two open-book midterms. The first midterm will be on week nine (Tuesday, March 16) and the second midterm will be on week fifteen on the last day of classes (Thursday, April 29). I will post the exam in Canvas at 1:30 Pm EST and you will have 24 hours to return it. The file should be in pdf format, and delivery should be done through Canvas only. Please, DO NOT send the report in a format different than pdf or by email. Also, note that we will be strict in enforcing that late exams will get a zero grade unless covered by a University-wide policy exemption.

If you have a problem with the dates of the midterms, please let me know *before* January 30. After January 30, we will NOT accommodate your requests. Note that travel, job interviews, or non-emergency family matters are NOT acceptable reasons to re-arrange the exam.

5.2 Reading Reports

There are 10 written reports due by 12:00 pm (noon) on the day of the respective lecture. The file should be in pdf format, and delivery should be done through Canvas. Please, DO NOT send the report in a format different than pdf or by email. Also, note that we will be strict in enforcing that late reports will get a zero grade unless covered by a University-wide policy exemption.

We will be very strict in checking the format and subtracting points for mistakes. You should write your reading report on Arial 12 font, double space, and be of a MAXIMUM length of two pages (we will not read beyond second page). All of the reports should be individual. If you happen to discuss the topics in the report with any classmate, you should clearly and explicitly mention who you talked with in the references section or somewhere in the text. Be aware that canvas will verify the text authenticity.

The report should be divided in three sections: a) A summary of the text of roughly three paragraphs that briefly answers what is the lecture or reading about? b) An analysis of roughly three paragraphs that briefly discusses the critical points, the strengths, and weak arguments in the text. c) A future direction section, of roughly one paragraph, where you should be creative, making suggestions to address unanswered aspects and limitations, propose future studies addressing the same research problem in a different setting, re-assessing and expanding theory etc.

I will upload the readings at least one week in advance to Canvas. Per each section, there is a given set of readings from which you can choose one to do your report on:

- **Week Three:**

- Lionel Robbins (1932). *An Essay on the Nature and Significance of Economic Science*. London: MacMilland and Co.[Chapter 1]
- James M Buchanan (1964). “What Should Economists Do?” In: *Southern Economic Journal* 30.3, pp. 213–222

- **Week Four:**

- John Baldwin (1959). “The Medieval Theories of the Just Price: Romanists, Canonists, and Theologians in the Twelfth and Thirteenth Centuries”. In: *Transactions of the American Philosophical Society* 49.4, p. 92 [Pages 58-80, Theologians]
- Friedrich Hayek (1935). “Socialist Calculation: The Nature and History of the Problem”. In: *Collectivist Economic Planning*. London: George Routledge & Sons

- **Week Five:**

- Adam Smith (1981). *An Inquiry into the Nature and Causes of the Wealth of Nations*. Ed. by R.H. Campbell and A.S. Skinner. Vol. 1. Indianapolis, IN: Liberty Fund [Book IV, Ch 2]

- Alexander Hamilton (1791). *Report on Manufactures*. Tech. rep. Washington, DC
- **Week Six:**
 - Samuel Hollander (June 1984). “The Wage Path in Classical Growth Models: Ricardo, Malthus, and Mill”. In: *Oxford Economic Papers* 36.2, pp. 200–212
 - William Baumol (1983). “Marx and the Iron Law of Wages”. In: *American Economic Review: Papers and Proceedings* 73.2, pp. 303–308
 - David Levy (June 1978). “Some Normative Aspects of the Malthusian Controversy”. In: *History of Political Economy* 10.2, pp. 271–285
- **Week Seven:**
 - Joseph Schumpeter (1991b). “Can Capitalism Survive?” In: *Joseph Schumpeter. The Economics and Sociology of Capitalism*. Ed. by Richard Swedberg. Princeton, NJ: Princeton University Press, pp. 298–315
 - Daron Acemoglu and James A. Robinson (2015). “The Rise and Decline of General Laws of Capitalism”. In: *The Journal of Economic Perspectives* 29.1, pp. 3–28
 - Avi J Cohen and G. C Harcourt (Feb. 2003). “Retrospectives Whatever Happened to the Cambridge Capital Theory Controversies?” In: *Journal of Economic Perspectives* 17.1, pp. 199–214
- **Week Ten:**
 - Vera Smith (1936). “The Rationale of Central Banking and the Free Banking Alternative”. PhD in Economics Dissertation. London: London School of Economics [Chapters 1,7,10]
 - Jesus Fernandez-Villaverde (2018). “Cryptocurrencies: A Crash Course in Digital Monetary Economics”
- **Week Eleven:**
 - Ronald Coase (1937). “The Nature of the Firm”. In: *Economica* 4.16, pp. 386–405
 - Armen Alchian and Harold Demsetz (1972). “Production, Information Costs, and Economic Organization”. In: *American Economic Review* 62.5, pp. 777–795
- **Week Twelve:**
 - Kenneth Arrow (1962). “Economic Welfare and the Allocation of Resources for Invention”. In: *The Rate and Direction of Inventive Activity: Economic and Social Factors*, pp. 609–626
 - Nathan Rosenberg (1976). “On Technological Expectations”. In: *Economic Journal* 86.343, pp. 523–535
 - Brian Arthur (1990). “Positive Feedbacks in the Economy”. In: *Scientific American*, pp. 92–99
- **Week Thirteen:**
 - Thorstein Veblen (1909). “The Limitations of Marginal Utility”. In: *Journal of Political Economy* 17.9, pp. 620–636
 - Joseph Schumpeter (1991a). “American Institutions and Economic Progress”. In: *Joseph Schumpeter. The Economics and Sociology of Capitalism*. Ed. by Richard Swedberg. Princeton, NJ: Princeton University Press, pp. 438–444
 - R. H. Coase (1960). “The Problem of Social Cost”. In: *Journal of Law and Economics* 3, pp. 1–44
- **Week Fourteen:**

- Joseph Schumpeter (1991d). “Crisis of the Tax State”. In: *Joseph Schumpeter. The Economics and Sociology of Capitalism*. Ed. by Richard Swedberg. Princeton, NJ: Princeton University Press, pp. 99–140
- Friedrich Hayek (1939). “The Economic Conditions of Interstate Federalism”. In: *New Commonwealth Quarterly* 2, pp. 131–149

6 Grading Standards

Students taking the course for a letter grade will receive grades from A through D or an F. Students that take the class on a Pass/Fail basis need at least a D+ to pass the class. Poor performance is not a valid reason for an incomplete (I). An incomplete is given only under exceptional circumstances and requires the satisfactory completion of a substantial part of the course.

The grade will be equal to

$$\text{Points} = 0.25 \times \text{first midterm} + 0.25 \times \text{second midterm} + 0.5 \times \text{Reading Reports}$$

The mapping of points into letter grades is given by:

Table 1: Grading Scale (As Percentage)

A +	96-100	B	80-83.75	C-	64-67.75
A	92-95.75	B-	76-79.75	D+	60-63.75
A -	88-91.75	C+	72-75.75	D	56-59.75
B +	84-87.75	C	68-71.75	F	0-55.99