

**McGILL UNIVERSITY,
COURSE OUTLINE: ECON 461
History of Economic Thought II: Honours**

Professor C. Green

Winter 2021

Course Prerequisite: ECON 250 and have taken or are currently taking ECON 352 (**OR consent of instructor**).

Course Objectives: After a brief introduction to the classical and neo-classical traditions that developed in the late eighteenth and nineteenth centuries, the course begins with the decline of the Marshallian tradition. Then it turns to monetary theory in the 19th century followed by the 20th century contributions of Knut Wicksell, Irving Fisher, FA Hayek, and later Milton Friedman. A central topic is the work of John Maynard Keynes and then the process, beginning after WW II, in which Keynes economic theory was undermined and eventually displaced by a suped- up version of the classical economic theory he rejected. In the last 2-3 weeks, the course also extends the history of thought to one or two current issues such as automation, and climate change.

In addition to a background text assigned readings include articles and some chapters in JM Keynes' *General Theory of Employment, Interest and Money*. (**Other than the text all assigned materials are available on MyCourses**)

Course Marks: There will be a: (1) **mid-term exam on either Friday March 19, or Wednesday March 24, 2021, (50% of course marks)** and (2) **a research paper (maximum 8 pages double spaced) due no later than Monday April 19 (50% of the course marks)**. Students may choose any topic related to the history of thought but it should be approved by me.

Text: Agnar Sandmo, *Economics Evolving: A History of Economic Thought*, Princeton University Press, 2011. (Available at Paragraphe Bookstore on McGill College St., OR via Amazon if you are not in Montreal)

Power point lecture outlines

Office Hours: e-mail me

McGill University values Academic Integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the code of student conduct and disciplinary procedures (see www.mcgill.ca/integrity for more information).

In accord with McGill University's Charter of Student Rights, students in this course have the right to submit in English or in French any written work that is to be graded.

[University Examination Regulations](#)

Course Outline and Reading List: *NB.* All readings are required unless otherwise indicated by an asterisk (*)

Original Sources - Useful websites

[Library](#) of Economics and Liberty
McMaster University [Archive](#) for the History of Economic Thought
Online [Library](#) of Liberty
Marxists Internet Archive [Library](#)
Ludwig von Mises Institute [Library](#)

A. INTRODUCTION:

1. Brief overview of the classical and neo-classical traditions (Week 1): (Lectures 1 and 2)

(For students who have not taken EC 460 you might peruse Sandmo's chapters on Smith, Ricardo, Walras and Marshall. My ppt slides for Lectures 1 and 2 will summarize the main contours of classical economic theory from Adam Smith to J.S Mill and the founders of neo-classical economics from the Marginalists to Marshall.

2. The Decline of the Marshallian Tradition

- (a) Increasing Returns and the Rise of Imperfect Competition (Week 2): Lectures 3 and 4)

Sandmo, Ch 13

Piero Sraffa (1926) "The Laws of Returns Under Competitive Conditions, *The Economic Journal*, v. 36 Dec 535-550

- (b) The Price Theoretic Tradition and the Rise of Reductionism (Week 3a): Lecture 5

Brian Loasby (1978) "Whatever Happened to Marshall's Theory of Value" *Scottish Journal of Political Economy*, 25 February 1-12

E. Glen Weyl (2019) "Price Theory", *Journal of Economic Literature*, June: pp 342-359.

B. Ideological Turmoil: Capitalism v Socialism (Week 3b): Lecture 6

Sandmo, Ch 14

F. Hayek (1945) "The Use of Knowledge in Society" *American Economic Review*. Sept. 519-530.

*Joseph Schumpeter (1928) "The Instability of Capitalism", *Economic Journal*, Sept: 371-386

C Monetary and Macroeconomic Theories (Week 4-5a)

1. Nineteenth Century Monetary Theory Lecture 7

J. Berdell and T Mondshean (2020) "Regulating Banks vs Managing Liquidity: Bentham and Thornton", *Journal of Economic Perspectives*, Fall: 195-209

2. The 20th Century: Wicksell, Fisher, Hayek (Lectures, 8-9)

Sandmo, Ch 12

Irving Fisher (1933),” [The Debt-Deflation Theory of Great Depressions](#)”, *Econometrica*, v 1.: 337-57)

3. J.M. Keynes (Weeks 5.b-7a): Lectures 10-13

Sandmo Ch 15.

J.M. Keynes (1936), [The General Theory of Employment Interest and Money](#), New York: Harcourt-Brace. Read Chs. 1; 2, 5,11,12; 15 and Ch. 18,sect. ii .[On My Courses website. Also can be found on line (via Google).

J.M Keynes, (1937), [“The General Theory of Employment”](#), *Quarterly Journal of Economics*, v.51, Feb 209-223.

J. R. Hicks (1937) “Mr Keynes and the Classics: A Suggested Interpretation” *Econometrica* (2): 147-159

*Richard Sutch (2018) “Reading Keynes at the Zero Lower Bound: The Great Depression, The Liquidity Trap, and Unconventional Policy”, *Jour. of Hist. of Econ Thought*, 40: Sept. pp.301-334. [Read pp. 301-304; 307-309; 313-318; 324-328].

D. Modernization of Economic Theory and Counter-Revolution in Macro Theory (Weeks 7b -9b)

1. Modernization

Sandmo, Ch 17, 18

Lecture 14

2. Microfoundations of Macroeconomics

Lectures 15, 16

E. Roy Weintraub *Microfoundations* Cambridge University Press, 1979, pp 3-17.

Clower and Leijonhufvud on Walrasian Micro-foundations in Weintraub (1979) pp 76-85

Kaldor, N (1972) “On the Irrelevance of Equilibrium Economics” *The Economic Journal* 82: Dec 1237-1255.

*Alan Coddington (1976) “Keynesian economics: The Search for First Principles”, *Journal of Economic Literature* XIV: Dec: 1258-1273.

3. “Monetarist” Theory

Lecture 17

Milton Friedman (1968), “The Role of Monetary Policy”, *American Economic Review*, March 1-17

*Melvin Reder, (1982) “Chicago Economics: Permanence and Change”, *Journal of Economic Literature* March: 1-38. [Read pp 1-2; 5-7; 11-19; 25-26; 35-36]

4. The Road to 2008 and Beyond

Lecture 18

George Akerlof (2019) “What They Were Thinking Then: The Consequences for Macroeconomics During the Past 60 Years,” *Journal of Economic Perspectives*, Fall 2019: 171-186.

Ricardo Caballero (2010) “Macroeconomics After the Crisis Time to Deal with Pretense of Knowledge Syndrome”, *Journal of Economic Perspectives*, Fall: 85-102

Robert Skildelsky (2011), “The Relevance of Keynes”, *Cambridge Econ Jour*, v.35:1-13

MID-TERM EXAM: Friday March 19 OR Wednesday March 24 2021

D. SOME ISSUES IN RECENT ECONOMIC THOUGHT

(Weeks 11-13)

Sandmo, Ch 18, 19

I would like to have students choose the issues. Two suggested possibilities are below. When we have a decision I will finalize the syllabus (course outline)

1. Automation: From the Luddites to AI

Samuel Hollander (2019) “Ricardo on Machinery”, *Journal of Economic Perspectives* Spring: 229-242

D. Acemoglu and P. Restrepo, (2019) “Automation and New Tasks: How Technology Displaces and Reinstates Labor”, *Journal of Economic Perspectives*, v 3 Spring: 3-30

2. Economics and the Environment at the Global Level; Climate Change

William Nordhaus, The DICE Model and the Proposal for a Climate Club

THE TERM PAPER IS DUE NO LATER THAN MONDAY APRIL 19, 2021. EARLY SUBMISSION OF PAPERS IS WELCOMED