Unit Outline*

ECON3310

History of Economic Ideas

Semester 1, 2011
Campus: Crawley

Unit Coordinator
Professor Michael McLure

Business School
www.business.uwa.edu.au

* This Unit Outline should be read in conjunction with the Business School Unit Outline Supplement available on the Current Students web site http://www.business.uwa.edu.au/students
UNIT DESCRIPTION

Introduction
The *History of Economic Ideas* investigates important episodes in the evolution of economic theory. It provides insight into intellectual history and is intended for historically minded students of economics.

Unit content
The unit overviews major pre-classical contributions to economic thought, provides an in-depth study of classical political economy and investigates the Lausanne School within the neoclassical tradition of economics. Pre-classical writers considered include Thomas Mun, the influential mercantilist, and William Petty. Classical political economy is considered with reference to the major contributions of François Quesnay, A R J Turgot, Adam Smith, David Ricardo, T R Malthus and J S Mill and Karl Marx. The Lausanne School is examined with reference to the works of Léon Walras and Vilfredo Pareto.

The goal of the unit
This unit helps students to acquire a critical appreciation of the development of economic theory between the classical and the neoclassical periods. Students are also introduced to different approaches to intellectual history, which facilitate the development of a deeper understanding of the insights and limitations of economic theory.

Learning outcomes
On completion of this unit, you should be able to:

- Identify and discuss the major themes of European economic thought prior to Adam Smith, with particular reference to work undertaken within the Mercantilist tradition.
- Distinguish between the ‘surplus’ and the ‘exchange’ interpretations of the history of classical economic thought – as associated with the works of François Quesnay, A R J Turgot, Adam Smith, David Ricardo, T R Malthus and J S Mill and Karl Marx – and with particular reference to:
  - the theories of value, distribution and economic growth; and
  - theories of prices and markets, for both domestic and international exchanges.
- Critically comment on the respective roles of the individual and the State within classical political economy, with consideration being given to material self interest, moral sentiments, individual liberty and social conflict.
- Appraise the distinction between Classical and Neo-classical economic thought, explaining why some scholars de-emphasised the distinction altogether while others regard it as an absolutely fundamental shift in the character of economic theorising.
- Set the Lausanne School within the broader neoclassical tradition.
- Examine Walras’ theory of general equilibrium in the context of his methodology, commenting on the supposed normative bias in this approach.
- Contrast Pareto’s contribution to economics with that of Walras, focusing on methodology, welfare, choice and the relationship between economics and sociology.
- Identify and discuss issues that need to be considered when debating whether the Lausanne approach to economics represents a genuine school of thought.
- Explain the meaning of the term ‘historiography’ as it applies to studies in the history of economic thought.
Educational principles and graduate attributes

In this unit, you will be encouraged and facilitated to develop the ability and desire to:

• Enhance your disciplinary and interdisciplinary knowledge and skills by reflecting critically on debates in intellectual history.
• Further develop your oral communication skills by making a class presentation, responding to questions that arise during tutorial discussions and participating in group work within tutorials; and
• Improve your written communication skills by writing a clear, effective and appropriate research essay on a specified topic in intellectual history.

TEACHING AND LEARNING RESPONSIBILITIES

Teaching and learning strategies

The history of economic ideas is a branch of intellectual history. New ideas are typically expressed and disseminated through written text. Given the importance of text to the basic subject matter of intellectual history, learning in this unit places strong emphasis on students reading scholarly works to complement lectures and to prepare for tutorial classes.

Tutorial classes are designed to assist learning by encouraging students to actively engage in discussion. To that end, each student is required to prepare for tutorials.

Teaching and learning evaluation

You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Students’ Unit Reflective Feedback (SURF). The SPOT is optional and is an evaluation of the lecturer and the unit. The SURF is completed online and is a university wide survey and deals only with the unit. You will receive an email from the SURF office inviting you to complete the SURF when it is activated. We encourage you to complete the forms as your feedback is extremely important and can be used to make changes to the unit or lecturing style when appropriate.

Attendance

Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process. It is therefore important that you attend classes. More formally, the University regulations state that ‘to complete a course or unit students shall attend prescribed classes, lectures, seminars and tutorials’.
CONTACT DETAILS

We strongly advise students to regularly access their student email accounts. Important information regarding the unit is often communicated by email and will not be automatically forwarded to private email addresses.

The contact details and consultation hours for the unit coordinator, as well as the lecture/tutorial times and venue, are listed in the table below:

<table>
<thead>
<tr>
<th>Unit coordinator/lecturer</th>
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<tbody>
<tr>
<td><strong>Name:</strong></td>
<td>Michael McLure</td>
</tr>
<tr>
<td><strong>Email:</strong></td>
<td><a href="mailto:michael.mclure@uwa.edu.au">michael.mclure@uwa.edu.au</a></td>
</tr>
<tr>
<td><strong>Phone:</strong></td>
<td>6488 2921</td>
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</tbody>
</table>
| **Consultation hours:**  | Tuesday 5pm – 6pm  
                          | Thursday 4pm – 6pm |
| **Lecture times:**       | Tuesday 2pm – 2:45pm  
                          | Tuesday 4pm – 4:45pm |
| **Tutorial times:**      | Tuesday 3pm – 3:45pm |
| **Lecture/tutorial venue:** | UWA Business School: G.42 - Michael Chaney Case Study Room |

TEXTBOOK(S) AND RESOURCES

Unit website

http://www.webct.uwa.edu.au

Recommended/required text(s)


Additional resources and reading material

See Course Materials on Line for a list of books on reserve and journals that may be accessed electronically to retrieve articles related to tutorials. Another useful reference is The History of Economic Thought Website at: http://homepage.newschool.edu/het/home.htm.
<table>
<thead>
<tr>
<th>Week #</th>
<th>Topic</th>
<th>Lecture</th>
<th>Tutorials</th>
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<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
<td>(i) Early mercantile era</td>
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<td></td>
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<td>(ii) Historiography</td>
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<td>2</td>
<td>Significant mercantile thought</td>
<td>(i) Thomas Mun</td>
<td>(i) Using the Textbook</td>
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<td></td>
<td></td>
<td>(ii) William Petty</td>
<td>(ii) Just price</td>
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<td>(iii) Richard Cantillon</td>
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<tr>
<td>3</td>
<td>Classical political economy</td>
<td>(i) François Quesnay &amp; A. R. J Turgot</td>
<td>(i) Thomas Mun</td>
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<tr>
<td></td>
<td></td>
<td>(ii) Adam Smith</td>
<td>(ii) Petty and Cantillon</td>
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<td>4</td>
<td>Classical political economy</td>
<td>(i) Adam Smith – continued</td>
<td>Quesnay, Turgot and Smith</td>
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<td>(ii) TR Malthus</td>
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<td>5</td>
<td>Classical political economy</td>
<td>David Ricardo</td>
<td>Smith, Malthus and Ricardo</td>
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<td>6</td>
<td>Classical political economy</td>
<td>John Stuart Mill</td>
<td>Ricardo</td>
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<td>7</td>
<td>Classical political economy</td>
<td>Karl Marx</td>
<td>J. S. Mill</td>
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<td>8</td>
<td>Revision and mid-semester exam</td>
<td>(i) Revision</td>
<td>Marx</td>
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<td>(ii) Mid-semester exam</td>
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<td>9</td>
<td>The Lausanne tradition</td>
<td>(i) Neo-classical schools</td>
<td>Review of Midsemester exam</td>
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<td>(ii) Léon Walras</td>
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<td>10</td>
<td>The Lausanne tradition</td>
<td>(i) Léon Walras</td>
<td>Walras / Tâtonnement</td>
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<td>11</td>
<td>The Lausanne tradition</td>
<td>(i) Vilfredo Pareto</td>
<td>Walras</td>
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<td>12</td>
<td>The Lausanne tradition</td>
<td>(i) Vilfredo Pareto</td>
<td>Pareto</td>
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<td>(ii) Lausanne tradition</td>
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<td>13</td>
<td>Revision</td>
<td>(i) Revision</td>
<td>Lausanne School?</td>
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Lecture topics

Introduction to the History of Economic Ideas

Week 1:
1. General Overview of the History of Economics
   Interpretive Perspectives and Historiography
   Schools of thought, ‘Classical Political Economy’ and ‘Neoclassical Economics’
   Early Mercantilism - General overview

2. Pre-classical Political Economy
   Very early mercantile ideas
   Restrict imports, but early signs of quantity theory of money
   Interpreting the history of economic ideas
   Science / policy, relativism / absolutism, historical / rational

Week 2:
3. Mercantilism in the 17th Century
   Thomas Mun
   1664: England’s Treasure by Forraign Trade
   Critics of mercantilism: North and Locke

4. Pre-classical ‘Surplus Approach’ to economic theory
   William Petty
   ‘Labour and land’ theory of value
   A step towards ‘political economy’ based on surplus
   Richard Cantillon

Classical Political Economy

Week 3:
5. Physiocratic and post Physiocratic Thought in France
   Francois Quesnay and Physiocracy
   Tableau économique and the Zig-Zag diagram
   Sterile activities, productive activities and Surplus
   Anne Robert Jacques Turgot
   Reaction against some physiocratic notions

6. Adam Smith
   Context: Some Enlightenment figures
   Brief biography of Smith
   Major works and the ‘Das Adam Smith’ Problem
   Wealth of Nations
   The Division of Labour and the extent of the market

Week 4:
7. Adam Smith
   Value theory
   Profits and Classes
   Wealth and the general welfare
   Summary of Adam Smith’s achievements
8. Thomas Robert Malthus  
   T R Malthus - Biography  
   Theory of population  
   Under-consumption  
   Malthus on Smith’s notion of unproductive Labour

   **Week 5:**
9. David Ricardo  
   David Ricardo: Biography  
   Ricardo’s Views on Malthus & the theory of rent  
   Corn theory of Profits – leavings of wages

10. David Ricardo  
    Labour theory of value - complication of capital  
    Distribution and growth  
    Trade theory  
    Substitution of machinery for labour

   **Week 6:**
11. John Stuart Mill  
    Dynamic economic progress and profits  
    Methodology  
    Liberty and laissez faire in Classical Political Economy.  
    Biography

12. John Stuart Mill  
    Theory of value  
    Static theories of distribution  
    The wages fund, profits and rents – dynamic and long run

   **Week 7:**
13. Karl Marx  
    Biography  
    Labour theory of value and distribution  
    exploitation and alienation  
    Historic Materialism.

14. Karl Marx  
    Schemes of expanded reproduction and crisis  
    Economic growth and profits.  
    Laws of motion of capitalist society  
    The exchange interpretation.

   **Week 8:**
15. Revision of Classical Political Economy  
    The legacy of Classical Political Economy  
    Revision for Mid-semester exam

16. No Lecture  
    Mid-semester exam in normal class time
The Lausanne Tradition

Week 9:
17. First Generation of Neoclassical Theory outside Lausanne
   Precursors to neoclassical value theory
   Jevons
   Menger

18. Léon Walras
   Biography
   Founder of general equilibrium economics
   General equilibrium
   Tâtonnement - introduction

Week 10:
19. Léon Walras
   Exchange, Production, Capital formation
   Methodology and the scope of economics
   Scientific socialism and justice

20. Léon Walras
   The quantity theory of money
   Demand for real cash balances
   Pareto’s and Schumpeter’s assessments of Walras

Week 11:
21. Vilfredo Pareto
   Biography
   Pareto’s methodology and the scope of economics
   Equilibrium and successive approximations
   Three phases in the development of Paretian thought

22. Vilfredo Pareto
   Three phases in the development of Paretian thought (con’t)
   Pareto optimality and collective welfare
   Choice theory: cardinalism v ordinalism

Week 12:
23. Vilfredo Pareto
   The distribution of income and Pareto’s Law
   Experimental Economics
   The ‘Paretiani’

24. The Lausanne Tradition
   The “Lausanne School” or the “Lausanne Tradition”?
   Walras’ and Pareto’s 20th Century legacy

Revision

Week 13:
25. Revision I
   The Lausanne tradition

26. Revision II
   Mercantile thought and classical political economy
**Tutorials and research essay topics**

Tutorials commence in Week 2.

_In weeks 2 and 3, all students are to attend the tutorial class with written answers to the following tutorial discussion questions._

**Week 2: Our textbook and Medieval Theory of Just Price**

Questions for class discussion: Developing a Critical Appreciation of the Textbook

1. Clarify the way that Vaggi and Groenewegen interpret ‘classical economics’ and name the key issues they associate with classical economic thought (p. xi).

2. What respective issues were, in the assessment of Vaggi and Groenewegen, considered by
   i. Smith
   ii. Quesnay
   iii. Ricardo and
   iv. Marx? (p.xi).

3. The process by which classical political economy was formed is described in the text as ‘the development of theories of surplus’. What way was surplus considered by the ‘mercantilists’, the ‘post mercantilists’, the ‘physiocrats’ and the late members of the classical school? (p. xvi).

4. As the classical approach was gradually abandoned, what aspects of the economic phenomena were receiving greater emphasis? (p. xiii).

5. What is the ‘interpretative perspective’ implied by the above sequence?

6. What ‘historiography’ is implicitly adopted by our textbook?

**Reference**

Text Book: Prologue, pages xi to xvi

Questions for class discussion: The notion of “Just price”

7. Distinguish between Canon / Roman law approach to prices and the Scholastics approach to prices.

8. According to Thomas Aquinas, what determines ‘just price’? What is the relationship between the ‘intrinsic value’ of a commodity and its value to a seller? Does this have implications for the ‘normative’ rules of ‘bargaining’?

9. What is the relationship between intrinsic price and modern price theory?

10. Is there any evidence to suggest that medieval writers were concerned about deliberate attempts to create monopoly?

11. What is the relevance of _laesio enormis_ for the economic explanation of ‘just price’?

12. Explain the relationship between just price and usury.

13. Reflect on the ‘normative’ and ‘positive’ elements of the ‘just’ price notion when considered as an ‘arbitrated solution to the bargaining problem’.

14. What type of historiography is best suited to a serious study of ‘just price’?

**Reference**


Available electronically from the library.
Week 3: Thomas Mun, William Petty and Richard Cantillon

Questions for class discussion:

Thomas Mun (1571-1641)

1. What is natural wealth and how is it different from artificial wealth?
2. What is meant by the phrase “profit upon alienation”?
4. Comment on the ways that Mun’s association with the East India Company may have been important to the development of his ideas.
5. Mercantilist generally thought of wealth as a “stock” concept. What are the advantages and disadvantages of this approach? Did Mun break with the mercantile tradition on the meaning of wealth?

William Petty (1623 – 1687) and Richard Cantillon (1697-1734)

6. Name Petty’s great works and indicate when they were published?
7. It is said that Petty was influenced by Francis Bacon’s approach to science, in which, fact, axiom and then law are developed from sequential inductive observation. In what way do you think Petty’s work reflected that ‘empirical’ approach? You might consider his notions of market and political prices when considering this issue.
8. To what extent was Petty’s contribution to economics inspired by his desire to reduce his tax obligations?
9. What role does the ‘division of labour’ play in Petty’s economic work? How does it relate to the notion of ‘surplus’.
11. Name Cantillon’s great publication and indicate when it was published. What is the obvious bibliographical parallel between Petty’s and Cantillon’s major works?
12. In what ways did Cantillon enhance Petty contribution to economic theory?

Reference
Textbook: Chapter 2, 4 and 6.

From Week 4 onwards, all students are required to read the chapters from the text book that correspond to the tutorial topic. Individual students presenting the tutorial topic during these weeks are required to read all listed readings and undertake their own research on the topic.

Week 4: François Quesnay, A. R. J. Turgot and Adam Smith

A. “Research Essay” topics for student presentation:

1. In the History of Economic Analysis, Joseph Schumpeter (1954, p. 184) noted: “The fact is that The Wealth of Nations does not contain a single analytic idea, principle, or method that was entirely new in 1776.” To what extent was Adam Smith influenced by earlier scholars, such as Quesnay and Turgot, and are we correct to regard Smith as the founder of modern economics?
2. Discuss the diverse interpretations of Adam Smith on value theory and the role of markets and the State.
References
Text Book: Chapter 7, 10 and 11, for topic (1) and Chapter 11 for topic (2).


Read the ‘Introduction’ and ‘Chapter 1 - Division of Labour’ from ‘Book One’ of Adam Smith’s Wealth of Nations. This reading can be accessed via the ‘world wide web’ at:

http://www.econlib.org/library/Smith/smWN.html

Class discussion theme: Based on the abovementioned reading, what are the objectives of Smith’s great work and what role does the division of labour play?

Week 5: T. R. Malthus

A. “Research Essay” topics for student presentation:

1. Comment also on why Malthus’ work represents an important episode in the history of economic ideas.
2. Critically assess Malthus’ theories of population and consumption. How do his views on these issues differ from those of Smith and Ricardo?

Reference
Text Book: Chapters 13 and 14 and:


Read Chapter 1 ‘Question stated’. This reading can be accessed via the web at:

http://www.econlib.org/library/Malthus/malPop.html

Class discussion theme: From the above reading, what are the logical and philosophical elements of Malthus’ Essay?

Week 6: David Ricardo

A. “Research Essay” topic for student presentation:

Explain Ricardo’s theories of: (i) value and distribution; and (ii) comparative advantage. Comment on the relative merits of the ‘new’ and ‘old’ interpretative perspectives on Ricardo’s approach to theory.

Reference
Text Book: Chapter 14 and 15.


B. Discussion Topic: David Ricardo, On the Principles of Political Economy and Taxation

Read section 1 from Chapter 1 'On Value' of Ricardo’s Principles. This reading can be accessed via the web at: http://www.econlib.org/library/Ricardo/ricP.html

Class discussion theme: From the above reading, what is the relationship between labour and value?

Week 7: John Stuart Mill

A. “Research Essay” topic for student presentation:

Critically examine J. S. Mill’s views on liberty, economic progress and the methodology of economics. Did the wages fund doctrine play a large role in Mill’s system of thought?

Reference
Text Book: Chapter 18.


B. Discussion topic: J. S. Mill Principle of Political Economy

Read ‘Chapter 6 Summary of the Theory of Value’ from ‘Book 3: Distribution’ of Mill’s Principles. This can be accessed via the web at:

http://www.econlib.org/library/Mill/mlP.html

Class discussion theme: From the above reading, how does Mill’s approach to value differ from that of Ricardo?

Week 8: Karl Marx

A. “Research Essay” topic for student presentation:

Critically evaluate Marx’s theory of capital accumulation, crisis and the falling rate of profit. What role does ‘money’ play in this system of analysis?

Reference
Text Book: Chapter 16.


B. Discussion Topic: Karl Marx Capital

Read “the twofold character of the labour embodied in commodities” from Section 2 of Chapter 1, of Marx's Capital volume 1). This can be accessed via the web at:

http://www.marxists.org/archive/marx/works/1867-c1/ch01.htm#S2

Class discussion theme: From the above reading, how does Marx’s approach to value differ from that of Ricardo?

**Week 9:**

Review mid-semester exam in tutorial class.

**Week 10: Léon Walras I**

“Research Essay” topic for student presentation:

Assess the significance of ‘Tâtonnement’ in Walras’ system of general equilibrium.

Reference
Text Book: Chapter 21.


**Week 11: Léon Walras II**

“Research Essay” topic for student presentation:

Critically examine the following two short topics:

To what extent is Walras’ system a logical extension of Ricardo’s analysis?
To what extent is there a ‘normative’ bias in Walras methodology?

Reference


**Week 12: Vilfredo Pareto**

“Research Essay” topic for student presentation:
Review and comment on Pareto’s approach to the issues of collective welfare and choice theory.

Reference
Text Book: Chapter 30


Week 13: The Lausanne School?

“Research Essay” topic for student presentation:

Can we talk of the Lausanne School, or is it more correct to refer to the Lausanne Tradition with distinct Walrasian and Paretian steams? How does Pareto’s sociology of economic phenomena fit into the Lausanne tradition / school?

Reference


Just for Fun
ASSESSMENT MECHANISM

The purpose of assessment

There are a number of reasons for having assessable tasks as part of an academic program. The assessable tasks are designed to encourage you to explore and understand the subject more fully. The fact that we grade your work provides you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.

Assessment mechanism summary

<table>
<thead>
<tr>
<th>Item</th>
<th>Weight</th>
<th>Due date</th>
<th>Remarks</th>
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<tbody>
<tr>
<td>Class participation:</td>
<td>8%</td>
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<tr>
<td>- attendance (3 marks)</td>
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<tr>
<td>- class discussion (3 marks)</td>
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<tr>
<td>- paper presentation (2 marks)</td>
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<tr>
<td>Research essay (up to 2,500 words)</td>
<td>22%</td>
<td>To be submitted directly to the unit coordinator prior to your tutorial presentation in class</td>
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<tr>
<td>Mid semester exam</td>
<td>20%</td>
<td>Tuesday 19 April</td>
<td>Time: 3:50pm to 5:00pm Venue: BUSN G.42 - Michael Chaney Case Study Room (i.e. normal lecture venue)</td>
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<tr>
<td>Final exam</td>
<td>50%</td>
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<td>Duration: 3 hours and 10 minutes</td>
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Note 1: Results may be subject to scaling and standardisation under faculty policy and are not necessarily the sum of the component parts.

Note 2: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning outcomes as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the unit.

Submission of assignments

Submit your “research essay” directly to the unit coordinator just prior to making your tutorial presentation. Please remember to attach an Assignment Cover sheet to the front of your assignment. You can download the relevant Assignment Cover sheet from the Business School Current Students web page [http://www.business.uwa.edu.au/students/assessments](http://www.business.uwa.edu.au/students/assessments).
Charter of Student Rights and Responsibilities

The Charter of Student Rights and Responsibilities outlines the fundamental rights and responsibilities of students who undertake their education at UWA (refer [http://handbooks.uwa.edu.au/undergraduate/poliproc/policies/StudentRights](http://handbooks.uwa.edu.au/undergraduate/poliproc/policies/StudentRights)).

Appeals against academic assessment

The University provides the opportunity for students to lodge an appeal against assessment results and/or progress status (refer [http://www.secretariat.uwa.edu.au/home/policies/appeals](http://www.secretariat.uwa.edu.au/home/policies/appeals)).