History of Economic Thought

ECTS : 6

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Langue du cours : Français

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Description du contenu de l'enseignement :

What do philosophers and economists, from antiquity until today, say about value, inflation, trade and distribution ? What makes economics so special among the social sciences ? What are markets good at and what are their limits ? From Aristotle to Keynes, some of the most original and most committed thinkers including Aquinas, Mandeville, Smith, Ricardo, Marx, Jevons, Walras, Marshall, Veblen and Hayek had very strong, fruitful and, on occasion, wrong, ideas about these matters. Frequently working with carefully chosen passages of the original texts, this class provides an overview of the most important steps in the history of economic thought and includes, whenever useful, some building blocks of basic micro- and macroeconomics. Following an introductory class on the methodology of economics and the conditions under which it might be considered a scientific endeavour akin to the natural sciences rather than a descriptive and hermeneutic endeavour akin to history or political science, the basic structure of the course is chronological. Different theoretical approaches are presented in the context of their times and illustrated with simple numerical examples or diagrams. Wherever possible and pertinent, historical questions are linked to contemporary economic questions, e.g., Aristotle's chrematistics and what constitutes a "good life", Mandeville and the question of ethics in economics, mercantilism and modern trade disputes, the physiocrats and the question of natural resources, Ricardo and modern sources of rent, Marxism and the theory of crises, Veblen and the conspicuous consumption of leisure in the time of Facebook. Adam Smith, as the proponent of decentralised auto-organisation, the marginalists and Keynes remain, of course, directly relevant to modern economic issues in an all-pervasive and very direct manner. There are three further issues that might distinguish this class from other introductory classes in history of economic thought. First, emphasis is put on what we call the "economic subject", i.e., the individual, entity, group or class, which defines the major economic issues of the day and acts on them. In neoclassical economics, the economic subject is largely identical with the homo oeconomicus maximising individual utility. However, Aristotle, scholastic economic thought, mercantilism, the physiocrats, Marx, American institutionalists or Keynes would have very different ideas about who constitutes the economic subject. Second, two classes are dedicated to Adam Smith as the founder of economics as an autonomous discipline independent of the other social sciences and a potentially scientific endeavour of research. We thus give space to the development in the Theory of Moral Sentiments of the anthropological foundations of the Smithian economic man, whose implications are then explored both at the micro and the macro level in the Wealth of Nations. This allows, in particular, a better understanding of the underlying assumptions behind the working of the invisible hand. Third, the class puts strong emphasis on the original writings (either in English or in English translation) of the key representatives of each current in the history of economic thought. While there are many competent historians of economic thought, nobody surpasses the writers who became "classics" in their ability to succinctly formulate ways out of the dilemmas posed by fundamental economic questions. Students will thus receive for each class by email key chapters of the great economic texts as reading assignments. The decisive paragraphs will be read in class. The class aims to familiarise students with the main currents in the history of economic thought embodied by their most important theorists from Aristotle to Keynes. Students having taken the class should retain, in particular, the key features of the main economic bodies of thought and their actual or potential relevance to major historical or current economic questions. This course isn't on Moodle. **1 Object and method of economic science Possible question for small term paper (chose one)** (1) To which extent does Friedman methodology remain faithful to Popper? To which extent does it diverge? (2) The future of economics: copy the natural sciences, "colonise" the social sciences or return to political economy? **2 Ethics, religion and economy in antiquity and the Middle Ages Possible question for small term paper (chose one)** (1) Compare the economic subject in Aristotle, Plato or Aquinas (choose only one) with the homo oeconomicus. (2) How could Aquinas strained attempt to combine religious and ethical considerations with economic realism still be relevant ? **3 Moral, politics and economics in the renaissance and mercantilism Possible question for small term paper (chose one)** (1) Is it ok to be selfish? Compare the responses of Machiavelli, Mandeville and Smith. (2) Is mercantilism really obsolete? Is it still being practiced? Under which conditions can it still be justified? **4 The political economy of the enlightened absolutism: the physiocrats Possible question for small term paper (chose one)** Quesnay and the physiocrats: early liberals or reactionaries (pay attention to the roles of the King, of the aristocracy, to trade and agriculture)? **5 Sympathy and wealth: Adam Smith and the homo oeconomicus Possible question for small term paper (chose one)** How does the "invisible hand" work? (What is the relationship between self-interest and general well-being in

Smith? What are the roles of the impartial spectator and sympathy?) **6 Division of labour, value, and trade: Adam Smith economist Possible question for small term paper (chose one)** (1) Exchange value and use value: What is the relationship between Smith and Ricardo on these issues? (2) Smith on "sympathy" - Veblen on "conspicuous consumption": Does "use value" still have meaning in the era of virtual reality? **7 The classics: rent, distribution and growth in Say, Ricardo and Malthus Possible question for small term paper (chose one)** (1) Say's Law: profound truth or mirage? Discuss. (2) Rent: How are today's notions of rent different from those that concerned Smith or Ricardo? (3) Why was Malthus wrong on agriculture? Why might he still be right on the environment? **8 Happiness or utility? The critique of liberal economy from Plato to Marx Possible question for small term paper (chose one)** (1) The crises of debt, financial markets and capitalism: Are there any lessons from the critics of the liberal economy in the 19thcentury for today? (2) What is/should be the ultimate objective of an economy? **9 Marginalism, individual optimization and general equilibrium: Walras and Jevons, Edgeworth and Pareto Possible question for small term paper (chose one)** (1) General equilibrium and Pareto optimality: What prevents us to achieve them? Do we still want to achieve them? (2) What is utility? Compare the classics, the marginalists and modern notions (e.g., happiness theory). **10 Marshallian orthodoxy and its heterodox critics (Veblen, Pigou, Schumpeter and Hayek) Possible question for small term paper (chose one)** (1) How did monopolistic competition arise from Marshall's attempt to reconcile comparative statics and dynamics? (2) How radical of a break is Pigou's notion of "social cost' with orthodox Marshallian economics? (3) Compare the thinking of Hayek and Schumpeter on information, monopoly and the efficiency of markets. **11 The foundations of modern macroeconomics : Keynes and the consequences (Hicks, Clower) Possible question for small term paper (chose one)** (1) Keynes and Say's law: What prevents the return to fullemployment equilibrium? (2) How can asymmetries of information and transaction costs motivate government interventions in the economy ? **Exam** Written exam with short questions on key class notions.

Compétences à acquérir :

- Knowledge of the great currents in the history of economic thought and their principal representatives and major texts; at least cursory understanding of several basic building blocks of economic theory;
- some intuition for the assumptions and methodological choices that establish economics as an autonomous endeavour of research in the social sciences.

Pré-requis obligatoires

Basic knowledge of micro- and macroeconomics is desirable but not a must for students willing to familiarise themselves with a few key economic concepts that are presented during class.

Mode de contrôle des connaissances :

Final Exam (control of acquired notions, some multiple choice) 50 %. Small written assignment 50% (the assigned papers can be prepared individually or in groups of two or three; the list of possible topics is attached below; students can propose additional topics for consideration). The grade for the paper includes class attendance. Except for students with special exemptions, more than two unmotivated absences can lead to deductions. **Use of LLMs in written assignment:** Given the ubiquitous availability of powerful tools to synthesis existing information, the grade for the short (5p.) written assignment will depend primarily on the purposeful use of original texts and citations, the coherence of argument and the clarity of the answer provided to chosen question (see below for list of question). The passing grade for the course is 10/20. **Attendance** Attendance is mandatory. Students are expected to attend all classes, arrive on time, and stay for the entire session. Repeated absences or lateness may affect the final grade. **Class Participation** Active participation is encouraged, as it contributes to making classes more engaging and instructive. Students are expected to come prepared and contribute thoughtfully to discussions. When participation is part of the course assessment, it is evaluated based on the quality of contributions rather than their quantity. **Exam Policy** Students are not allowed to bring any materials into exams, except those explicitly authorized by the instructor. Unexcused absences from exams or failure to submit assigned cases will result in a grade of zero when calculating final averages. All exams must be submitted at the end of the examination period. **Communication and Grading** All questions or concerns regarding grading or course policies must follow the official procedures. No direct negotiation with instructors about grades or assessments is permitted. Be aware of the rules in Université Paris Dauphine about plagiarism and cheating during exams. All work turned in for this course must be your own work, or that of your own group. Working as part of a group implies that you are an active participant and fully contributed to the output produced by that group.

Bibliographie, lectures recommandées :

1 Object and method of economic science

- Milton Friedman (1953), "The Methodology of Positive Economics" in Essays in Positive Economics.
- Karl Popper (1935), The Logic of Scientific Discovery, Part I "Introduction to the Logic of Science".

2 Ethics, religion and economy in antiquity and the Middle Ages

- Plato, The Laws, Chapters 5 and 9.
- Aristotle, Nicomachean Ethics, Book V.
- Aristotle, Politics, Book 1, Chapters 8-12.
- Thomas Aquinas, Summa teologica, Questions 77 - 78.

3 Moral, politics and economics in the renaissance and mercantilism

- Thomas Hobbes (1660), The Leviathan, "Of the Nutrition and Procreation of A Commonwealth".
- John Locke (1690), The Second Treatise of Civil Government, Ch. 5 "Of Property".
- Bernard Mandeville (1714), The Fable of the Bees: Or Private Vices, Public Benefits, "The Grumbling Hive: Or Knaves Turned Honest".

4 The political economy of the enlightened absolutism: the physiocrats

- François Quesnay (1759), Economic Table.

5 Sympathy and wealth: Adam Smith and the homo oeconomicus

- Adam Smith (1759), The Theory of Moral Sentiments, Selected passages.

6 Division of labour, value, and trade: Adam Smith economist

- Adam Smith (1776), An Inquiry into the Nature and Causes of the Wealth of Nations, Book I "Of the Causes of Improvement in the Productive Power of Labour".

7 The classics: rent, distribution and growth in Say, Ricardo and Malthus

- David Ricardo (1817), Of the Principles of Political Economy and Trade, Chapters 1, 2 and 7 "On Value", "On Rent" and "On Foreign Trade".

8 Happiness or utility? The critique of the liberal economy from Plato to Marx

- Karl Marx (1867), Capital: A Critique of Political Economy, Vol. I, Book I, Part 1 "Commodities and Money".

9 Individual optimization and general equilibrium: Walras and Jevons, Edgeworth and Pareto

- William Stanley Jevons (1871), Theory of Political Economy, Ch. 4.

10 Marshallian orthodoxy and its heterodox critics (Veblen, Pigou, Schumpeter and Hayek)

- Alfred Marshall (1890), Principles of Economics, Book V, Ch. 12, "Equilibrium of Normal Demand and Supply".
- Jan Horst Keppler (1994), Monopolistic Competition Theory, JHU University Press, Baltimore.
- Thorstein Veblen (1899), Theory of the Leisure Class, Chapters 2-4.
- Friedrich A. Hayek (1945), "The Use of Knowledge in Society", American Economic Review 35(4): pp. 519-30.

11 The foundations of modern macroeconomics : Keynes and the consequences (Hicks, Clower)

- John Maynard Keynes (1936), The General Theory of Employment, Interest, and Money, Ch. 3 "The Principle of Effective Demand".
- J. Hicks (1937), Mr. Keynes and the "Classics", Econometrica 5 (2), pp. 147-159.
- R. Clower (1965), "The Keynesian Counterrevolution" in Hahn et al. The Theory of Interest Rates, pp. 103-25.

The class does not use a single textbook. Students, who wish to do so, can receive the teaching notes (in French) upon request. As a first point of entry, other than the original texts, are recommended the individual entries on authors, movements or concepts in The New Palgrave: Dictionary of Economics(1987), Edited by Peter Newman, John Eatwell and Murray Milgate, London, Macmillan. Please also use The History of economic thought Website, http://www.hetwebsite.net/het/; McMaster University Archive for the History of Economic Thought, https://historyofeconomicthought.mcmaster.ca/; Online Library of Liberty: A collection of scholarly works about individual liberty and free markets, http://oll.libertyfund.org/. **Jan Horst Keppler** is professor of economics at Université Paris-Dauphine PSL, where he directs the master in energy, finance and carbon (EFC) and presides the supervisory committee of the Chaire European Electricity Markets (CEEM). He is a historian of economic ideas by training, specializing in early 20th century economic thought, in particular monopolistic competition theory, and in the economic and philosophical work of Adam Smith. Today, much of his research is in industrial organization and energy economics, in particular electricity markets. Returning regularly to the history of economic ideas in both teaching and research, however, is not only a pleasure but a necessity to get some perspective on what we are doing as economic agents and as economists in an ever-changing world.