

EC316 From the Study of Political Economy to the Science of Economics

(Spring 2022)

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Office Hours: Tuesdays 15:45 to 17:00 or by appointment

Welcome to a new OSUN Network Course!

The Bard College Berlin course EC316 can be credited to the advanced economics module *Ethics and Economic Analysis* at Bard College Berlin and is being offered this semester for the first time as an OSUN Network Course. Students attending an OSUN course on the History of Economic Thought taught at Al-Quds Bard College in Abu Dis, a neighborhood of East Jerusalem in the West Bank, by Dr. Sobhi Samour will partner with students in EC316 for a synchronous workshop dealing with inequality issues in the history of economics. We will also experiment with the use of the Padlet app for students at both institutions to discuss historical policy responses to economic inequality. Irwin Collier will provide short video lectures for the week dedicated to theories of Usury/Interest that will be provided also for the use of other OSUN Network participating institutions in the future.

OSUN Network Course: Shared Pedagogical Goals & Outcomes

This course is designed to show students how contemporary discussions of economic and social policy are influenced and framed by the ideas and concerns of classical political economy through early twentieth-century economic thought.

The course will survey diverse traditions in economic analysis. Political economists throughout history and across the globe have examined and analyzed the economic organization of society and the respective roles played by markets, governments, and other social institutions. The discipline itself is in continual flux (some would even argue it finds itself in a genuine intellectual crisis), shaping and reshaping its core ideas. As economic systems evolved, so have the theories and methods used to explain different economic phenomena and problems, as well as the policies designed to address them.

Throughout this OSUN Network Course, students will be exposed to different intellectual traditions, from that of Classical Political Economy, Marxian Criticism, Neoclassical Economics, Early American Institutionalism, Post-Keynesian perspectives, Black and Radical Political Economy, Feminist economics, Modern Monetary Theory, and/or Ecological and Green economics, to name a few. While not all paradigms share a single methodological foundation, many share significant common theoretical and empirical ground. Indeed, individual economists easily work within multiple traditions and may not be so easily categorized as belonging to a unique paradigm. Other economists may work within the same tradition (in terms of methodology), but may have differing standards with respect to the relative importance of different questions. A historical and paradigmatic approach to the history of economics proves useful for pedagogical purposes.

The principal aim of this course is for students to gain a broad appreciation and understanding of the methods and specific problems that these traditions emphasize and the contributions to theory, methods, and policy that they have made. Thus, we will examine not only the evolution of these ideas and theories, but also their practical application today.

Some of the specific issues that we will cover include economic stability, the causes and cures for unemployment, the interactions between markets and government policy, the nexus between ethics and markets, and the evolution and interaction of culture, technology and money in shaping the modern world.

Economics is contested terrain. Many debates within economics became even more pronounced once economies had entered their worst postwar recession in 2008. COVID-19 induced downturns and the climate crisis have only deepened the need to generate new ideas and policies to answer the most pressing existential global challenges. As economists contemplate alternative proposals, it is critical to appreciate the deep historical roots of the policy solutions proposed. A main goal of this course is to enable students to identify the main sources of the debates. To this end, we will pay close attention to the underlying assumptions of these different theories with respect to their choices of theoretical methods and the nature of the evidence sought to guide debate and provide the bridge to real-world economic issues.

The great conversation of economic ideas through history is not only a key to better understanding, but also a mainspring of inspiration for the policies of today and of the future.

Course Content

The OSUN course EC316 at Bard College Berlin will focus on the issues of the proper scope and methods of economic research as seen by different economists from the late eighteenth century through the twentieth century. Students who have successfully completed the Core Course *Origins of Political Economy* have the opportunity in this course to further follow the arc of social scientific analysis of economic affairs starting from the end of classical political economy (John Stuart Mill and Karl Marx). The last third of the nineteenth century was also notable for the controversy that erupted between the advocates of the use of formal theory vs. those advocating historical study, i.e., the Menger-Schmoller Methodenstreit. Finally, the Keynesian and econometric revolutions of the mid-twentieth century with a brief examination of the so-called Austrian school as well as a sampling from heterodox critics of mainstream of economic science will round out the required course readings.

Academic Integrity

Bard College Berlin maintains the highest standards of academic integrity and expects students to adhere to these standards at all times. Instances in which students fail to meet the expected standards of academic integrity will be dealt with under the Code of Student Conduct, Section 14.3 (Academic Misconduct) in the Student Handbook.

Requirements

Ideally a student would bring to this course at least four semesters of economic coursework that would serve as a solid contemporary foundation to build a bridge to the past. Nevertheless, it is true that the level of most economic analysis going up into the middle of the 20th century was modest enough to be understood by the average member of the London Political Economy Club at the time. Thus a semester of principles of economics and a semester of either micro- or macroeconomics is an acceptable minimum to profit from this course.

Attendance

Attendance at all classes is a crucial part of the education offered by Bard College Berlin. To account for minor circumstances, two absences from twice-per-week courses or the equivalent (e.g. one absence from a once-per-week course) should not affect the participation grade or require documentation.

Bard College Berlin does not offer credit for any course in which a student has missed more than 30% of classes, regardless of the reasons for the absences. The full Bard College Berlin attendance policy can be found in the Student Handbook, Section 2.8.

SPECIAL CONSIDERATIONS FOR SPRING 2022: Some students may need to begin the semester remotely due to travel restrictions caused by the pandemic. In addition, all students and instructors must refrain from in-person attendance if they are feeling ill. Instructors should make

efforts to offer alternatives to in-person attendance where needed, including remote participation or asynchronous options.

Grade Breakdown and Assignments

- [25%] OSUN participation: 15% for workshop presentation; 10% for participation in Padlet discussion on inequality,
- [15%] Regular and active class participation,
- [20%] Five preassigned abstracts of session readings together with five questions for class discussion (no more than 2 pages each). Best four of the five grades count toward the grade.
- [10%] A 20 minute end-of-semester presentation,
- [30%] A 90 minute short-answer examination covering the readings.

Policy on Late Submission of Papers

Essays that are up to 24 hours late can be downgraded up to one full grade (from B+ to C+, for example). Instructors are not obliged to accept essays that are more than 24 hours late. Where an instructor agrees to accept a late essay, it must be submitted within four weeks of the deadline.

Thereafter, the student will receive a failing grade for the assignment. Grades and comments will be returned to students in a timely fashion. Students are also entitled to make an appointment to discuss essay assignments and feedback during instructors' office hours.

Students receive mid- and end-of-semester grades for their seminar work. Students are entitled to make an appointment with an instructor to discuss seminar participation, or may be asked to meet with the instructor at any stage in the semester regarding class progress.

Schedule

Reading assignments will be selected from the following list as noted in the schedule that follows:

Introduction:

Hausman, Daniel M. [Economic Methodology in a Nutshell](#). *Journal of Economic Perspectives*. Vol. 3, No. 2 (Spring, 1989), pp. 115-127.

Stigler, George J. The Ricardian Theory of Value and Distribution. *Journal of Political Economy*, June, 1952, pp. 187-207. [available at jstor.org]

Classical economics winding down

Mill, John Stuart. [On the Definition of Political Economy and on the Method of Investigation Proper to It](#). Essay V in *Essays on Some Unsettled Questions of Political Economy* (London, 1844), pp. 120-164.

Marx, Karl. Chapter 1, Sections 1-3 of [Grundrisse: Foundations of the Critique of Political Economy \(Rough Draft\), 1857](#)

Methodenstreit

Friedrich Hayek. [Introduction to Menger's Principles of Economics](#).

Schmoller, Gustav. [On the methodology of the political and social sciences](#). (1883). Warning: a google translation.

Menger, Carl. [The Errors of Historicism in German Economics](#). (1884 German original, English translation ed. by Horn and Kolev)

[Schmoller: [Zur Methodologie der Staats- und Sozialwissenschaften](#)" in *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im deutschen Reich* 1883.
Menger: [Irrthümer des Historismus in der deutschen Nationalökonomie](#), 1884.]

A Founding Father of American Institutional Economics

Veblen, Thorstein. The Preconceptions of Economic Science. *Quarterly Journal of Economics*.
[I. Vol. 13, No. 2 \(January, 1899\)](#), pp. 121-150.
[II. Vol. 13, No. 4 \(July, 1899\)](#), pp. 396-426.
[III. Vol. 14, No. 2 \(February, 1900\)](#), pp. 240-269.

Reprinted in Thorstein Veblen, [The Place of Science in Modern Civilisation and Other Essays](#) (New York, 1919).

Statistics and economics

Guy, William A. On the Original and Acquired Meaning of the term “Statistics,” and on the Proper Functions of a Statistical Society: also on the Question whether there be a Science of Statistics; and, if so, what are its Nature and Objects, and what is its Relation to Political Economy and “Social Science.” (1865). <https://www.irwincollier.com/statistical-society-relation-statistics-political-economy-address-william-guy-1865/>

Wright, Carroll D. The Study of Statistics in College. Paper read at the joint session of the American Economic and Historical Associations, at Cambridge, Mass., May 24, 1887. <https://www.irwincollier.com/aea-the-study-of-statistics-in-college-by-carroll-d-wright-1887/>

Palgrave, R. H. Inglis (ed.). [Statistics/Statistical Method](#) in *Dictionary of Political Economy*, Vol. III (N-Z), reprinted with corrections and appendix 1910, pp. 467-470.

Neo-classical England

Jevons, William Stanley. [The Future of Political Economy](#) (Introductory Lecture October 2, 1876 at University College, London), *The Fortnightly Review* vol. XX (New Series), 1876, pp. 617-631.

Marshall, Alfred. [The Present Position of Economics: An Inaugural Lecture](#) (24 February, 1885). London: Macmillan, 1885.

Marshall, Alfred. [The New Cambridge Curriculum in Economics](#). London: Macmillan, 1903.

Keynes, John Neville. [The Scope and Method of Political Economy](#) (3rd ed., revised). London: Macmillan, 1904. Chapters I and II.

From the Ethics of Usury to the Theory of Interest

Böhm-Bawerk, Eugen v. *Capital and Interest: A Critical History of Economical Theory*. Book I, Chapter I, [The Opposition to Interest in Classical and Mediæval Times](#). Chapter II, [The Defence of Interest from the Sixteenth till the Eighteenth Century](#),

Fisher, Irving. [The Theory of Interest](#) (1930). Part II, Chapter 4 Time Preference, Chapter 7 The Investment Opportunity Principles; Part IV, Chapter 15, The Place of Interest in Economics; Part IV, Chapter 21, Summary.

Pigou and his critics

Pigou, Arthur C. Part II, Chapter IX. [Divergences between Marginal Social Net Product and Marginal Private Net Product](#). *The Economics of Welfare* (Fourth edition, 1932), pp. 172-203.

Coase, Ronald H. 1960. [“The Problem of Social Cost.”](#) *Journal of Law and Economics* 3: 1–44.

Mathematical Economics

Irving Fisher. [Cournot and Mathematical Economics](#). *Quarterly Journal of Economics*, Vol. 12 (January, 1898), pp. 119-138.

Paul Samuelson. [Economic Theory and Mathematics—An Appraisal](#). (with comment by Fritz Machlup) *American Economic Review*. Vol. 42, 1952: 56-69.

F. Y. Edgeworth, "[Mathematical Method in Political Economy](#)" in *Palgrave's Dictionary of Political Economy* (2 pages)

Econometrics/Business Cycles

Koopmans, T. C. [Measurement without theory](#). *Review of Economics and Statistics* 29 (August, 1947): 161-72.

Vining, R. [Methodological issues in quantitative economics](#). (With [a reply by Koopmans](#) and [a rejoinder by Vining](#).) *Review of Economics and Statistics* 31 (May, 1949): 77-94.

Keynesian Macroeconomics

Keynes, John Maynard. [The General Theory of Employment](#). *Quarterly Journal of Economics*. Vol. 51, No. 2 (Feb. 1937), pp. 209-223.

Samuelson, Paul A. [Chapter 12A Theory of Income Determination](#) in *Economics: An Introductory Analysis* (1948), pp. 253-264.

Money and Finance

Fisher, Irving. [The Debt-Deflation Theory of Great Depressions](#), *Econometrica* (October 1933), pp. 337-357.

Minsky, Hyman P. [The Financial Instability Hypothesis](#). Levy Economics Institute of Bard College, Working Paper No. 74 (May 1992).

A Taste of Austrian Economics

Boettke, Peter J. [Austrian School of Economics](#). *The Library of Economics and Liberty* website.

Gonçalo L. Fonseca, "The Austrian School" at his *History of Economic Thought* website.
<https://www.hetwebsite.net/het/schools/austrian.htm>

5 minute student presentations on Friedrich von Wieser, Ludwig von Mises, Friedrich von Hayek, Fritz Machlup, Gottfried Haberler, Kirzner, Rothbard

Feminist Economics

Nelson, Julie A. [Feminism and Economics](#). *Journal of Economic Perspectives*. Vol. 9, No. 2, Spring 1995: pp. 1331-148.

Art of Persuasion

McCloskey, Deidre (Donald) N. [The Rhetoric of Economics](#). *Journal of Economic Literature* Vol. 21, No. 2 (June, 1983), pp. 481-517.

Schedule
(Reading assignments tentative)

	Tuesday 2:00 p.m. to 3:30 p.m.	Thursday 2:00 p.m. to 3:30 p.m.
Feb 1/3	Introduction/Course Mechanics	Hausman
Feb 8/10	Veblen Essays I and II Physiocrats through Malthus	Ricardo à la George Stigler
Feb 15/17	J. S. Mill	Marx
Feb 22/24	Schmoller (Methodology)	Menger (Errors of the Historical School) Hayek intro to Menger
Mar 1/3	Jevons Marshall	J. N. Keynes Veblen III
Mar 8/10	<i>HOLIDAY</i>	Statistics and Economics
Mar 15/17	Theories of Usury Böhm-Bawerk	Theories of Interest Fisher
Mar 22/24	<i>Workshop week</i> <i>with Al-Quds Bard College</i>	<i>Workshop week</i> <i>with Al-Quds Bard College</i>
Mar 29/Mar 31	Pigou Externalities	Coase Social Cost
Apr 5/7	Fisher Samuelson Mathematics and economics	Koopmans vs. Vining Empirical Another Methodenstreit
Apr 12/14	<i>Spring Break</i>	<i>Spring Break</i>
Apr 19/21	J. M. Keynes	Keynes à la Samuelson Chapt. 12A in <i>Economics: An Introductory Analysis</i>

Apr 26/28	Fisher & Minsky Money and Finance	Boettke & Fonseca Austrian Economics
May 3/5	Nelson Feminist Economics	McCloskey Rhetoric
May 10/12	Student Presentations	Student Presentations
May 18/20 Completion Week	<u>Final Exam</u> <u>10:45 a.m. to 12:15 p.m.</u>	

Note: Completion week is from May 18-20. Students are required to be on campus during completion week!