

Carleton University
Arthur Kroeger College of Public Affairs

PAPM 1000: Introduction to Public Affairs and Policy Management
Winter Term: History of Economic Thought

Winter 2019 (Jan 8 - April 09)

Tuesday: 3:35 - 5:25

Loeb Building: LA C-164.

A 3 hours final exam will be held between April 15 & 26

Office Hours: Tuesday: 13:45-14:45

Or Determined Through Emails with Student

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"The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. [...] Soon or late, it is ideas, not vested interests, which are dangerous for good or evil."

-John Maynard Keynes, *General Theory*, 1936



*Somebody says: "Of no school I am part,
Never to living master lost my heart,
Nor any more can I be said
To have learned anything from the dead."
That statement - subject to appeal -
Means "I'm a self-made imbecile."*

-J.W. Goethe, *Den Originalen*, 1812

"We need to say straight out that the history of economics is 'useful' not because it helps students to sharpen theoretical skills or because it gives them a little interdisciplinary breadth, but because it can affect the understanding of economics itself, its potential accomplishment and its important limitations."

- Karen Vaughn ("Why Teach the History of Economics", 1993)

1. COURSE DESCRIPTION :

PAPM 1000: The theoretical, philosophical and ethical foundations for the study of public affairs and policy management. Drawing from classic and contemporary texts in political philosophy and theory, students will consider issues relating to the nature of democracy, civic society and social organizations, the public, public affairs and public interest.

During the Winter semester, the focus of the course is on the history of economic thought. The objective of the course is to provide an understanding of economic ideas and thinking, how these ideas have evolved and developed and been applied through many centuries, and

the implications of economic ideas for past and current policy debates, analysis, development and management.

This course aims at familiarizing students with the main authors and schools of thought that had a determining influence on the shaping of economic science. It will help students understand the evolution of the economic discipline especially since the XVIIIth Century. More precisely, it will allow student to appreciate how we went from ethical and pragmatic considerations over the nature of wealth (still prevalent in the XVIIIth century) to the years of high theory that characterizes today's "economic science". In this way, this course will allow students to have a better understanding of economic concepts in their historical context. Studying the historical context allows to identify which specific questions, issues or debates can be found behind contemporary economic concepts.

Economic ideas become particularly important when they are used to assess policy problems and to provide the rationale for laws, regulations, policies, programs and other government actions. The resulting changes to e.g. tax, expenditure, interest rate, procurement, industrial, trade, employment or other policies affect the material well-being of the Canadian economy and society as well as of individuals, companies and other groups either directly by making them richer or poorer, or indirectly through changing their behaviour.

Finally, the economic ideas of the past and present and the economic theories that are developed from these economic ideas are used by policy makers and analysts to evaluate and compare alternative government actions by drawing upon both theory and experience. This is done for example by: considering the appropriateness of their assumptions; the logic of their reasoning; or the ability of the theory to correspond with actual experience and the available evidence and to predict future outcomes.

While discussing the main economic issues for each studied periods, this course will focus on five specific elements:

1. How do different economic theories define the concept of property and social justice?
2. What is wealth and how do we measure it?
3. How is the concept of capital defined and articulated in different economic theories?
4. How is the economic surplus distributed? (wage, profits and interests).
5. Are markets efficient?

During the course, the emphasis will be on the presentation of key texts, illustrating a determining moment in the discipline, the genesis of fundamental issues or concepts, or the relevance of heterodox theoretical trends. These texts will be presented with theoretical and historical contexts in order to help the student exercise a critical assessment of the ideas found in the reading material.

These texts are available through CULearn and must be read before the tutorial on the topic. The assessments take for granted that students will attend every class, will read carefully the material and will develop satisfying knowledge of the issues discussed in class.

2. Required Textbook: The book is available at the Octopus Book Store on Third Avenue near Bank Street (116 Third Avenue).

Robert Heilbroner. *The Worldly Philosophers* (latest edition), 1999.

A Useful Writing Guide (optional) available through Octopus Bookstore is:

Babington, Doug and Don LePan *The Broadview Guide to Writing*, Revised 4th Canadian Edition (Peterborough: Broadview Press, 2016)

THE CLASS IN ECONOMICS WILL PLEASE COME TO ORDER
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Courtesy New York Herald-Tribune

3- Course Format

The course encompasses both lectures and tutorials. The two hours lectures on Monday of each week provide an overview of the development of economic ideas and thinking, including how these ideas have influenced and been applied to past and current economic policies and related government actions.

The tutorials in the same week provide an opportunity to discuss some of the ideas associated with the development of economic thinking, with emphasis on the relevance of these issues in contemporary economic debates.

Completed assignments are to be submitted to the Kroeger College's Main office at the specified deadline. Late assignments will not be accepted (and will be given a mark of zero). The Mid-Term Take-home and Final Examination will cover questions that draw from the textbook, readings, and lectures – and their format but not necessarily their content is similar to the questions for the tutorials and the writing assignments.

Schedule for the tutorials:

<u>Tutorial Group #</u>	<u>Day of Week</u>	<u>Time</u>	<u>Room</u>	<u>TA Name</u>	<u>TA Email Address</u>
TBD	TBD	TBD	TBD	TBD	TBD
TBD	TBD	TBD	TBD	TBD	TBD
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TBD	TBD	TBD	TBD	TBD	TBD

4-Course Requirements

Take-Home #1 (25%): Due date: February 26.

Take-Home #2 (25%): Due date: April 2.

Final Exam: 40%

Tutorial contribution (Attendance and participation): 10%

Take-homes will take the form of a 5 pages essay based on selected questions distributed two weeks before due date.

5. LECTURE SCHEDULE:

Class 1: Introduction. Methodological debates: History of thought or History of Economic Analysis. Economic Thought in Ancient Greece: Aristotle (Economics and the art of acquisition, commensurability of goods).

- Robert Heilbroner “The Embarrassment of Economics”. *Challenge*. November-December 1996: pp.46-49.
- Aristotle. *Politics*. Chapter 1, and Beginning of Chapter 2.
- Aristotle. *Nicomachean Ethics*. Book V, Section 5.
- Robert B. Ekelund Jr. And Robert F. Hébert. *A History of Economic Theory and Method*. Waveland Press, 2014: pp.15-20 (section on Aristotle).

Class 2: Medieval Economic Thinking, mercantilism and the rise of liberalism. Scholastic debates over usury and « just price ». Emergence of mercantilism : Wealth and Power. Transition to liberalism.

- Saint Thomas Aquinas, *Summae Theologica* (circa 1270).
- Thomas Mun. *England's Treasure by Forraign Trade* (1664): Chapter 2 and 4 (pp.7-8; 19-23)
- Robert Heilbroner. *Worldly Philosophers*. New York: Touchtone, 1999. (Chapter 2 pp.18-41).
- Robert B. Ekelund Jr. And Robert F. Hébert. *A History of Economic Theory and Method*. Waveland Press, 2007. (Chapter 3: pp.44-67).

Class 3: The Works of Adam Smith: How to reconcile morals and economics. Analysis of the Wealth of Nations: Division of Labour, Labour theory of value, economic growth, invisible hand.

- Adam Smith. *Inquiry into the Nature and Causes of the Wealth of Nations* (1776). Chapters 1-6.
- Robert Heilbroner. *Worldly Philosophers*. New York: Touchtone, 1999. (Chapter 3: pp. 42-74.)

Class 4: 1780-1850: Classical Political Economy: Debates over labour, value, growth and population. The works of David Ricardo and Thomas Robert Malthus.

- David Ricardo. *Principles of Political Economy and Taxation* (1821) : Chapter 1.
- Thomas Robert Malthus. *Essay on the Principle of Population*. (1826).
- Robert Heilbroner. *Worldly Philosophers*. New York: Touchtone, 1999. (Chapter 4: pp. 75-104).

Class 5: Critics of Classical Political Economy : The National Economy vs the cosmopolitan economy. Analyzing the productive forces (Friedrich List). Utopian Socialism.

- Friedrich List. *The National System of Political Economy* (1841).
- Ha-Joon Chang. *Kicking Away the Ladder; The “Real” History of Free-Trade*. Foreign Policy in Focus. 2003.
- Robert Owen. *A New View of Society* (1816).
- Robert Heilbroner. *Worldly Philosophers*. NY: Touchtone, 1999. (Chapter 5: 74-135).

Class 6: Marx and Scientific Socialism. Analysis of *Das Kapital*. Critique of economic reality, critique of bourgeois political economy and scientific analysis of capitalism.

Reading Material:

- Karl Marx and Friedrich Engels. *The Communist Manifesto* (1848).
- Karl Marx. *Capital*.(1867)
- Karl Marx. Preface to the Contribution to the Critique of Political Economy (1859).
- Robert Heilbroner. *Worldly Philosophers*. NY: Touchtone, 1999. (Chapter 6: 136-169).

Class 7: A New Theory of Value: The marginalist revolution (Jevons, Walras, Menger). Birth of a new orthodoxy: Neo-classical economics (Alfred Marshall).

Reading Material :

- William Stanley Jevons. *Theory of Political Economy*. 1871.
- Alfred Marshall. *Principles of Economics*. 1890.
- Mariana Mazzucato. *The Value of Everything*. New York: PublicAffairs, 2018.(Chapter 2: pp.57-74).

Class 8: General Equilibrium and economic optimality (Walras and Pareto). The normative foundations of pure economics : Are markets efficient?

Reading Material:

- Walker, Donald A., “Walras, Léon,” *The New Palgrave: A Dictionary of Economics*, Vol. 4 (Q to Z), John Eatwell et al., eds. (Macmillan Press, 1987), pp. 852–863.
- Mark Blaug. *The Methodology of Economics*. Cambridge: Cambridge University Press, 1992.
- E.K. Hunt and Mark Lautzenheiser. *History of Economic Thought; A Critical Perspective*. Armonk: M.E. Sharpe, 2011: (Section on Leon Walras: pp. 264-278).

Class 9: The Keynesian Revolution. Keynes vs the Classics. *The General Theory of Employment, Interest and Money*: Involuntary unemployment, rejecting Say's law, effective demand and psychological factors. Foundations of the neoclassical synthesis.

Reading Material:

- John Maynard Keynes. *The General Theory of Employment, Interest and Money*. 1936.
- John Maynard Keynes. "Economic Possibilities for our Grandchildren". 1930.
- Robert Heilbroner. *Worldly Philosophers*. New York: Touchtone, 1999. (Chapter 9: pp. 248-287).

Class 10: Institutional Economics: What are economic institutions? The works of Thorstein Veblen and John Kenneth Galbraith. Analyzing power and institutions in a capitalist economy.

Reading Material:

- Thorstein Veblen. *Theory of the Leisure Class*. 1899.
- Marc-André Gagnon. "Capital, Power and Knowledge According to Thorstein Veblen: Reinterpreting the Knowledge-Based Economy". *Journal of Economic Issues*, Vol. 41 #2, 2007.
- John Kenneth Galbraith. « Power and the useful economist », 1973.
- Robert Heilbroner. *Worldly Philosophers*. New York: Touchtone, 1999. (Chapter 8: pp. 213-247).

Class 11: Resurgence of liberalism: Monetarism, Rational Anticipations, Supply-side economics.

Reading Material:

- Milton Friedman. "The Role of Monetary Policy". *American Economic Review*. Vol. 58 #1, March 1968. (Available here: <http://proxy.library.carleton.ca/login?url=http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=4499930&site=bsi-live>)
- Milton Friedman. *Capitalism and Freedom*. Chicago and London: University of Chicago Press, 1962. (Read Intro and Chapters 1-2: pp.1-36)
- Michel Beaud and Gilles Dostaler. *Economic Thought Since Keynes : A History and Dictionary of Major Economists*. London: Routledge, 1997 (Chapter 7: The Liberal Resurgence: pp. 103-116)

Class 12: Joseph Schumpeter and Creative Destruction. The Entrepreneur, Innovation, Profit, and the Capitalist Process. The Challenges of Economic Thought.

Reading Material:

- Joseph Schumpeter. *Business Cycles* (1939).
- Joseph Schumpeter. *Socialism, Capitalism and Democracy*, 1943. (Chapter 12: *Crumbling walls.*)
- Robert Heilbroner. *Worldly Philosophers*. New York: Touchtone, 1999. (Chapter 10-11: pp. 288-321).

Class 13: Friedrich August von Hayek and the Ignorance of Economists

Reading Material:

- Friedrich August von Hayek. "The use of knowledge in society" (1945); <http://www.econlib.org/library/Essays/hykKnw1.html>

6-ACADEMIC INTEGRITY & PLAGIARISM

Instructional offences, such as plagiarism and cheating, are serious and may incur severe penalties. Please see the note on plagiarism below. Students should also consult the section of the Undergraduate Calendar on Academic Standing and Conduct to familiarize themselves with the regulations regarding instructional offences. For Carleton's regulations on academic integrity, please see <http://www.carleton.ca/calendars/ugrad/0910/regulations/acadregsuniv14.html>

The definition below is from Carleton University's Academic Regulations, at <http://www.carleton.ca/calendars/ugrad/0910/regulations/acadregsuniv14.html>

Plagiarism is presenting, whether intentional or not, the ideas, expression of ideas or work of others as one's own. Plagiarism includes reproducing or paraphrasing portions of someone else's published or unpublished material, regardless of the source, and presenting these as one's own without proper citation or reference to the original source. Examples of sources from which the ideas, expressions of ideas or works of others may be drawn from include but are not limited to: books, articles, papers, literary compositions and phrases, performance compositions, chemical compounds, art works, laboratory reports, research results, calculations and the results of calculations, diagrams, constructions, computer reports, computer code/software, and material on the Internet.

Examples of plagiarism include, but are not limited to:

- submitting a take home examination, essay, laboratory report or other assignment written, in whole or in part, by someone else;

- using ideas or direct, verbatim quotations, paraphrased material, algorithms, formulae, scientific or mathematical concepts, or ideas without appropriate acknowledgment in any academic assignment;
- using another's data or research findings;
- submitting a computer program developed in whole or in part by someone else, with or without modifications, as one's own;
- failing to acknowledge sources through the use of proper citations when using another's works and/or failing to use quotation marks.

The purpose of the written work is to develop **your** writing and analytical skills. A work which contains material “borrowed” from other sources without proper acknowledgement cannot be marked as your own work.

Plagiarism is an instructional offence that occurs when a student uses or passes off as one's own idea or product the work of another person, without giving credit to the source. The punishments for plagiarism at Carleton are significant. You could fail the course, or, under certain circumstances, be expelled from the university.

If you are using someone else's words – in a quotation – refer to the source in a footnote or in-text citation. If you are referring to someone else's text (that is, not quoting directly, but closely following the line of argument), refer to the source just as you would for a quotation, except that quotation marks are not used. If you are using someone else's ideas, acknowledge this in a footnote, or by a clear reference in the text of your essay.

Material copied from the Internet must be treated like material from a book or any other source. If you are quoting a source you found on the Internet, use quotation marks and refer to the location of the item (name of website; identify the electronic journal and issue, etc) just as you would for a quotation from printed material. If you are borrowing ideas from an Internet source, the source must be identified in a footnote or in-text citation, just as a quotation would be. Excellent software is available for locating materials that might have been plagiarized from the Internet, and will be used.

To avoid plagiarism:

(i) Acknowledge every source from which you have drawn information or ideas for your paper. That is, even if you are not quoting directly from a source, you should still acknowledge where the idea, argument, or information came from.

(ii) Place *every direct quote* from a source in quotation marks (or indent it), and give a citation

for the source. Nevertheless, try not to use quotes too frequently. Quotes should be used when they so beautifully or aptly sum something up that you cannot say it any better. An essay is not a collection of quotes.

(iii) Express other authors' ideas in your own words. If you are outlining someone else's argument, for example, outline it in your own words, and acknowledge the author at the end of your summation of his or her argument or idea/s. *Any words not in quotation marks must be your own words.* This advice has an intellectual as well as a legal purpose: being able to express an author's ideas in your own words is part of your learning process.