

BOĞAZIÇI UNIVERSITY
DEPARTMENT OF ECONOMICS

EC 412.01 TOPICS IN HISTORY OF ECONOMIC THOUGHT
SPRING 2013

NEOCLASSICISM AND ITS DISCONTENTS

INSTRUCTOR: YAHYA M. MADRA

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CLASS MEETS: Monday, 12:00-12:50, in NH 104 and Wednesdays 15:00-16:50, in NBZ 12

OFFICE HOURS: Mondays 15:30-17:00, Tuesdays 14:00-15:30, or by appointment.

COURSE DESCRIPTION This is a historical survey course that focuses on neoclassical economics, its constitutive debates, its internal divisions and the heterodox deviation from the neoclassical orthodoxy. While the course will explore different notions of actors, knowledge, equilibrium, different explanations of the interactions between markets and states, different theories of market and government failures, different conceptualizations of the role that institutions, power mechanism and class structures play in shaping social outcomes, it will contextualize this survey of ideas and theories on economy in the oscillation between private and state capitalism throughout twentieth century. In this sense, the course may be considered a history of economic thought course with economic history providing its backdrop. The main objective of the course is to provide a structured context for the advanced undergraduate students of economics to read original texts side by side some contextualizing histories.

PREREQUISITES EC 203 and EC 205

REQUIRED READING PACKET

Reading packet is available from Nazar Copy, Güney Kampüs.

REQUIRED TEXTBOOK

Screpanti, E. and S. Zamagni. An Outline of the History of Economic Thought. Second Edition. Oxford: Oxford University Press, 2005. [Henceforth SZ.]

Textbook should available at the Bookstore.

REQUIREMENTS

Response Question & Answer Sketch (4x10)	40 points (see below for details)
Midterm Exam	25 points (see below for details)
Final Take-Home Exam (72 hours)	30 points (see below for details)
Classroom participation & attendance	5 points (see below for details)

Response Question & Answer Sketch: The course is divided into 4 sections (see the Course Calendar). At the end of each section, by the indicated deadline, you are expected to submit a “Response Question and Answer Sketch” addressing all or a subset of readings up to that point on the date identified on the Course Calendar below. In this exercise, the objective is to write a concise, well-crafted question that will test not only the knowledge but also analytical-synthetic thinking of a student that completed all the readings and participated in all the lectures within that section. While a submitted question does not have to address everything covered within that section, synthetic questions that demand a comparative

perspective will earn more points. You are also expected to sketch an answer, indicating the relevant sections of the various readings. A “Response Question and Answer Sketch” cannot be longer than 500 words (fit into a single-sheet) including both the question and the answer sketch. Versions of the best questions may be included in the final exam.

Midterm Exam: The midterm will be a 90 minutes, in class exam. There will be 7 questions to choose from. You will be expected to answer 3 questions, devoting each question 30 mins. The midterm will be held on April 11, 2013 (Thursday).

Final Take-Home Exam: The final will be a 72-hours take home exam where you will be given 7 questions to choose from. You will have an option between answering either 2 questions (4.5 pages each) or 3 questions (3 pages each), but the total number of pages (double-spaced and 12-size font) will be limited to 9. More detailed instructions are to be announced. In order to receive a grade on your final exam, you need to submit all the response papers in a timely fashion.

Classroom Participation: You are expected not only to attend but also to participate in lectures as much as possible. Best way to be prepared to do so is to do the readings in advance. During the lectures, I do tend to ask questions to elicit interaction and participation. If the students are prepared to engage with these questions, the quality of the lectures increase immensely, making the experience better for everyone involved. Attendance will be taken randomly throughout the semester.

COURSE OUTLINE AND READINGS

1. INTRODUCTION (Feb. 18, Monday)

EARLY NEOCLASSICISM: FORMATIVE DEBATES AND CONTROVERSIES

2. THE MARGINALIST REVOLUTION (Feb. 20, Wednesday)

Mirowski, Philip, 1984. “Physics and the ‘Marginalist Revolution.’” Cambridge Journal of Economics, Vol. 8, pp. 361-379.

SZ: 163-195.

3. BRITISH MARSHALLIANISM (Feb. 25, Monday)

Cooter, R., and Rappoport, P., 1984. “Were the Ordinalists Wrong About Welfare Economics?” Journal of Economic Literature, Vol. 22, No. 2, pp. 507-30.

SZ: 196-215.

4. NEOCLASSICISM AS PSYCHOLOGISM: THE INSTITUTIONALIST CRITIQUE (Feb. 27, Wednesday)

Lewin, Shira B. 1996. “Economics and Psychology: Lessons for Our Own Day From the Early Twentieth Century.” Journal of Economic Literature, Vol. 34, pp. 1293-1323.

Veblen, Thorstein, 1998 [1898]. “Why is economics not an evolutionary science?” Reprinted in Cambridge Journal of Economics, Vol. 22, pp. 403-414.

SZ: 215-231, 291-295, 301-308.

5. NEOCLASSICAL SOCIALISM: THE AUSTRIAN CRITIQUE (March 4, Monday & March 6, Wednesday)

Adaman, F., and Devine, P. 1996. "The Economic Calculation Debate: Lessons for socialists." Cambridge Journal of Economics, Vol. 20, No.5, pp. 523-37.

Caldwell, Bruce, 1997. "Hayek and Socialism." Journal of Economic Literature, Vol. 35, pp. 1856-90.

SZ: 295-299, 495-500.

THE RISE AND FALL OF THE NEOCLASSICAL-KEYNESIAN SYNTHESIS

6. KEYNES-KALECKI CHALLENGE (March 11, Monday & March 13, Wednesday)

Keynes, John Maynard, 1937. "The General Theory of Employment." Quarterly Journal of Economics, Vol. 51, No. 2, pp. 209-223.

Kalecki, Michal. 1943. "Political Aspects of Full Employment." Political Quarterly.

SZ: 232-262.

7. COWLES COMMISSION AND THE DRIVE TO MATHEMATIZATION (March 18, Monday)

Arrow, K.J. 1991. "Cowles in the History of Economic Thought." In Cowles' Fiftieth Anniversary. New Haven: Cowles Foundation, pp. 1-24.

Arrow, K.J. 2009. "Some Developments in Economic Theory Since 1940: An Eyewitness Account." Annual Review of Economics, Vol. 1, No. 1: 1-16.

SZ: 280-284.

8. GENERAL EQUILIBRIUM THEORY AND NEOCLASSICAL-KEYNESIAN SYNTHESIS (March 20, Wednesday)

Ruccio, D. F. and Amariglio, J. L. 2002. "The Body and Neoclassical Economics." In Postmodern Moments in Modern Economics. Princeton: Princeton University Press, , pp. 92-136.

SZ: 284-291, 323-335.

9. FROM MONETARISM TO RATIONAL EXPECTATIONS THEORY (March 25, Monday & March 27, Wednesday)

Friedman, M. 2002 [1962]. "The Control of Money", "International Financial and Trade Arrangements", and "Fiscal Policy". In Capitalism and Freedom. Chicago: Chicago University Press, pp. 37-84.

Tabb, William K. 1999. "The Last Half-Century in the Mainstream." In Reconstructing Political Economy: The Great Divide in Economic Thought. London: Routledge, pp. 154-176.

SZ: 335-346.

THE NEOLIBERAL COUNTER-REVOLUTION IN ECONOMICS

10. MARGINALIST CONTROVERSY: THE FORMATION OF THE CHICAGO SCHOOLS (April 1, Monday)

Alchian, Armen A., 1950. "Uncertainty, Evolution, and Economic Theory." Journal of Political Economy, Vol. 58, No. 3, pp. 211-221.

Becker, Gary S, 1962. "Irrational Behavior and Economic Theory." Journal of Political Economy, Vol. 70, No. 1, pp. 1-13.

SZ: 413-423.

11. LAW AND ECONOMICS: COASEAN ECONOMICS (April 3, Wednesday)

Coase, R.H., 1960. "The Problem of Social Cost." Journal of Law and Economics, Vol. 3, No. 4, pp. 1-44.

Davies, W., 2010. "Economics and the 'nonsense' of law: The case of the Chicago antitrust revolution." Economy and Society, Vol. 39, No. 1, pp. 64-83.

SZ: 396-404.

12. NEW INSTITUTIONALISM: A NEOCLASSICAL THEORY OF INSTITUTIONS? (April 8, Monday & April 10, Wednesday)

Coase, Ronald, 1937. "The Nature of the Firm." Economica, Vol. 4, pp. 386-405.

North, Douglass, C. 1990. "Institutions and Their Consequences for Economic Performance." In The Limits of Rationality, edited by Cook, Karen Schweers and Margaret Levi. Chicago: Chicago University Press, pp. 383-402.

SZ: 474-484

13. NEW INFORMATION ECONOMICS: NEW KEYNESIAN MICROFOUNDATIONS FOR MACROECONOMICS (April 15, Monday)

Shapiro, Carl and Joseph E. Stiglitz. 1984. "Equilibrium Unemployment as a Worker Discipline Device." American Economic Review, Vol. 74, pp. 433-44.

SZ: 346-350, 363-374.

14. MECHANISM DESIGN: WHERE MARKETS AND PLANNING MEET (April 17, Wednesday)

Lee, K. S. 2006. "Mechanism Design: Theory Embodying an Algorithm-Centered Vision of Markets/Organizations/Institutions." History of Political Economy, Vol. 38 (annual suppl.), pp. 283-304.

Bardhan, P. and Roemer, J. 1992. "Market Socialism: A Case for Rejuvenation." Journal of Economic Perspectives, Vol. 6, No. 3, pp. 101-116.

15. PUBLIC ECONOMICS AFTER NEOLIBERALISM (April 29, Monday)

Madra, Y. M. and F. Adaman, 2010. "Public Economics After Neoliberalism: A Historical-Theoretical Perspective." The European Journal of the History of Economic Thought Vol. 17, No. 4, pp. 1079-1106.

SZ: 404-413.

ALTERNATIVES TO NEOCLASSICISM

16. HETERODOX POSITIONINGS (May 6, Monday)

Garnett Jr., Robert F. 2005. "Whither Heterodoxy?" post-autistic economics review, 34, 2-21.

Tsakalotos, Euclid, 2005. "*Homo economicus* and the reconstruction of political economy: six theses on the role of values in economics." Cambridge Journal of Economics, Vol. 29, pp. 893-908.

SZ: 456-475, 484-495

17. POWER AND CHANGE: RADICAL POLITICAL ECONOMICS (May 8, Wednesday)

Bowles, S., 1985. "The production process in a competitive economy: Walrasian, Neo-Hobbesian, and Marxian models." American Economic Review, Vol. 75, No. 1, pp. 16-36.

Bowles, Samuel, and Herbert Gintis. 1993. "The Revenge of Homo Economicus: Contested Exchange and the Revival of Political Economy." Journal of Economic Perspectives, Vol. 7, No. 1, pp. 83-102.

SZ: 500-510.

18. CLASS AND OVERDETERMINATION: POSTMODERN MARXIAN ECONOMICS (May 13, Monday & May 15, Wednesday)

Resnick, Stephen A., and Richard D. Wolff. 1992. "Radical Economics: A Tradition of Theoretical Differences." In Radical Economics, edited by Bruce Roberts and Susan Feiner. Norwell, Mass. and Dordrecht: Kluwer Academic, pp. 15-43.

Ruccio, D. F. and Amariglio, J. L. 2002. "Capitalism, Socialism, and Marxian Economics." In Postmodern Moments in Modern Economics. Princeton: Princeton University Press, pp. 216-251.

19. UNCERTAINTY AND NON-RATIONALITY: POST KEYNESIAN ECONOMICS & BEHAVIOURAL ECONOMICS (May 20, Monday & May 22, Wednesday)

Davidson, Paul, 1991. "Is Probability Theory Relevant for Uncertainty? A Post Keynesian Perspective." Journal of Economics Perspectives, Vol. 5, No. 1, pp. 129-143.

Santos, A. 2011. "Behavioural and experimental economics: are they really transforming economics?" Cambridge Journal of Economics, Vol. 35, No. 4, pp. 705-728.

SZ: 351-360, 512-515.

EC 412.01 TENTATIVE COURSE CALENDAR

I	Feb. 18, Monday	Introduction	
	Feb. 20, Wednesday	Marginalist Revolution	
	Feb. 25, Monday	British Marshallianism	
	Feb. 27, Wednesday	Psychologism/Institutionalism	
	March 4, Monday	Neoclassical Socialism	
	March 6, Wednesday	Austrian	Q&A 1 due
2	March 11, Monday	Keynesian Challenge	
	March 13, Wednesday	Kalecki	
	March 18, Monday	Cowles Commission	
	March 20, Wednesday	General Equilibrium & Neoclassical Keynesian Synthesis	
	March 25, Monday	From Monetarism	
	March 27, Wednesday	to Rational Expectations	Q&A 2 due
3	April 1, Monday	Marginalist Controversy & Chicago School	
	April 3, Wednesday	Law & Economics	
	April 8, Monday	New institutionalism	
	April 10, Wednesday	New institutionalism	
	April 11, Thursday		Midterm
	April 15, Monday	New Information, New Keynesian	
	April 17, Wednesday	Mechanism Design	
	April 29, Monday	Public Economics after Neoliberalism	Q&A 3 due
4	May 6, Monday	Heterodox Economics	
	May 8, Wednesday	Radical Political Economics	
	May 13, Monday	Postmodern Marxian Economics	
	May 15, Wednesday	Postmodern Marxian Economics	
	May 20, Monday	Post Keynesian Economics	
	May 22, Wednesday	Behavioural Economics	Q&A 4 due
<p>The course is divided into four sections. At the end of each section, you are expected to submit your “Response Question and Answer Sketch” addressing all or a subset of readings up to that point on the date identified on the schedule above.</p>			