

## Ec 407 Fall 2016: CLASS CALENDAR

Week 1  
(9/27)

### Class Introduction

#### Religious Underpinnings

We begin with the Biblical notions of social ethics and economic justice that underlie the three “Abrahamic” religions (Judaism, Christianity, and Islam). A central theme is that nature (including human societies) were “designed” to work harmoniously. Unlike other creatures, humans however are not bound to nature, and follow what they believe is their own “self interest”. Such behavior can be the root of our own demise. The quest for a harmonious path becomes the story of human civilization.

Week 2  
(10/4)

### Greece through The Mercantilists

We begin with the economic thought of the Greek philosophers, particularly Aristotle, who understood economic behavior to be a part of nature, but were suspicious of the intentions of individuals who were not “trained” to behave wisely. Teachings of the Greek philosophers were merged with Christian teachings by the Scholastic doctors, who developed a commercial code intended to promote economic justice. As nation-states emerged economic thought turned to the means by which one state can gain economic advantage over its neighbors.

#### SPIEGEL:

**Chapters 1,2 (all)**

**3** (through p55 and pp.60-65)

**4** (Through p.81)

**MEDEMA and SAMUELS: Aristotle** (Politics and Nichomachean Ethics)

**Thomas Aquinas** (through page 25)

**Thomas Mun**

#### QUESTIONS:

1) Describe the difference between Economics and Chermatistics (the art of getting money) in Aristotle’s Thought. Why was he suspicious of Chermatistics?) How does this compare with the thought of the Stoics? The Epicurians?

2) How do Thomas Aquinas’ standards of fairness in buying and selling compare to modern assumptions of what must be satisfied in order for competitive markets to function?

**Week 3**  
**(10/11)**

**SPIEGEL: Chapters 5 (all)**  
7 (John Locke)  
8 (From Cantillon to the end)  
9 (Hume)

**QUESTIONS:**

1) What is a “specie” (precious metal coin) flow theory of trade as advocated by Hume? How much of that did the Mercantilists understand? How did this impact their policies, specifically, how did they view property rights or the rights of individuals?

2) How Did Locke differ from the other mercantilists?

**Week 4**  
**(10/11)**

**Liberalism and the Classical Economists**

With the Classical economists, economic behavior was again seen as a natural process, this time as one that performs best when left alone. Belief that the gains of one must come at the expense of others gave way to the view that natural cooperation would enhance the wellbeing of all parties. While Smith recognized that economic processes could be corrupted, Others proclaimed his “invisible hand” to be a doctrine of greed.

**SPIEGEL: Chapters 10, 11, 12, 14 (All)**

**QUESTIONS:**

1) What does Smith mean by “self interest”? Is this consistent with his previous argument that “sympathy” is the foundation of a moral society?

2) In the first week I argued that there were three points made in the “Garden of Eden” story that were a metaphors for nature and humankind’s relationship to it. Does Smith’s “Invisible Hand” fit that model?

3) According to Smith, What is the down side of the division of labor? How does he propose to fix it?

4) What problems does Spiegel have with Say’s Law? Under what conditions is it valid and under what conditions might it not be?

**Week 5**  
**(10/25)**

**Review and Midterm**

**Week 6**  
**(11/1)**

**Mill and the Utopian Socialists**

The advent of the industrial revolution revealed a dark side of capitalism that the classical economists had not expected. This was the potential for abuse of a growing population of workers by industrialists whose power grew while their numbers shrank. Numerous proposals for a more egalitarian structure of firms arose. While these were short lived, they strongly influenced John Stuart Mill, who became the leading thinker in economics of the mid 19<sup>th</sup> Century.

**READINGS:**

**Spiegel Chapters 19 (all)**

**15 (pp.339 - 344)**

**16 (pp.368 - 373, and 383 – 392)**

**Medema and Samuels (pp.183 – 185)**

**QUESTIONS:**

- 1) What was the main argument behind Ricardian Socialism?
- 2) Are the proposals of the Utopian Socialists (Owen, Forrier, and Saint-Simon) compatible with a market economy?
- 3) Was Mill able to address the concerns of the socialists in his view of market economics?

**Week 7**  
**(11/8)**

**Marx and the Soviet Experiment**

**Week 8**  
**(11/15)**

**Economic Science**

This week we look at the “scientific method” as it applies to economics. J. S. Mill gave the first description of what it means for economics to be considered a science. His definition has been the generally excepted wisdom until 1953 when Milton Friedman wrote his famous essay. Though Friedmans essay has been taken as the last word on the subject by many, there are many others that are very dubious about it.

NOTE: I recommend that you begin with Friedman’s essay. It will make reading Hands a little easier

**QUESTIONS:**

- 1) According to Friedman, what is positive economics? Why does he advocate keeping it separated from normative considerations? Do you believe it is really possible to keep the two separate?
- 2) On page 14 and 15, Friedman argues that a hypothesis cannot be judged on how realistic its assumptions are, only on its ability to predict or “explain” events ( this is the notorious “F-Twist”). What does he mean by realistic or unrealistic assumptions?
- 3) On page 17 (middle of the page) Friedman argues that it is impossible to say that the effect of some variable is “small” enough to be ignored? Is this argument valid? Explain.
- 4) What does J. S. Mill mean by the inductive and deductive scientific methods. Which of these does he argue is best for Economics”

**Week 9**  
**(11/22)**

**General Equilibrium The Marginal Revolution**

With the Marginal Revolution of the 1870's came the mathematically – based microeconomic theory that we have today. While showing great promise at first, the axiomatic approach has shown severe limitations in its ability to describe human behavior. The weakness may well lie, not in mathematics, but in the fact that the marginal revolutionaries were not themselves mathematicians. As result, they may have caused out theory to have been built COMPLETELY BACKWARDS!

**READINGS:**

**Posted on Blackboard**    **Bentham**  
**Measuring Utility**

**Medema and Samuels**    **Jevons (pp.415 – 431)**  
**Menger (pp.443 – 455)**

**QUESTIONS:**

- 1) In the article titled “Bentham’s Red Herring” what problems are there with the assumptions that: a) Maximization of utility is the cause behind individual choice? b) utility is the measure of an individual’s wellbeing?
- 2) In Jevons’ article, Is it clear that Marginal utility must be derived from total utility or can it be the other way around?
- 3) From the article on measuring utility, what would be necessary in order for utility to be comparable between individuals?

**Week 10**  
**(11/29)**

**Macroeconomics**

We begin with a return to the Physiocrats who were the first to envision the circular flow of goods and services through a society. It was Keynes who used this model to demonstrate how such a flow can be disrupted, even when there is no lack of the inputs needed to keep it going. While Keynes’ theory has played a major role in public policy for nearly a century, his theories are being rejected by the profession for lack of solid foundation in the axiomatic theory of general equilibrium. It remains to be seen whether the weakness is in Keynes, or in the inability of general equilibrium theory to adequately express his ideas.

**FINAL EXAM: See Class Schedule**