

ECO 099 – FCS.02
Freedom and Markets: The Clash of Economic Ideas
Syllabus

Fall 2010
MW 2:50 – 4:05 p.m.
Room: Old Chem 101

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As often occurs when things go badly wrong, the recent economic crisis has caused many to look to the past for answers. Two names that have repeatedly come up in the last few years are those of the British economist John Maynard Keynes and the Austrian economist Friedrich A. Hayek. Keynes' 1936 book *The General Theory of Employment, Interest and Money* ultimately spawned "the Keynesian Revolution," and popularized the idea that the federal government could, and should, stabilize the economy through the use of its spending and tax policies. Keynes' theories were very popular in the 1960s, but with the stagflation of the 1970s they went out of favor, only to be revived again, as is evident by, for example, Robert Skidelsky's recent (and extravagantly titled) *Keynes: The Return of the Master* (2009). In his most famous book, *The Road to Serfdom*, Hayek warned about the dangers of government interventions that restrict economic freedom, interventions that he felt could lead to restrictions on political freedom. First published in 1944, *The Road to Serfdom* held the number one spot for all books for about ten days on Amazon.com during the summer of 2010, and stayed in the top ten for over a month, principally due to a television endorsement by the Fox network political commentator Glenn Beck, who claimed it delivered "a Mike Tyson right hook to the jaw of socialism." Who today is prepared to judge who was right, Keynes or Hayek? And what did they actually say about such matters?

Hyperbole aside, it is a commonplace that earlier writers can provide insightful lessons for the present: "those ignorant of history are doomed to repeat it." In this course we will explore a selection of works, many famous, some less so, about economic matters and their relationship to the larger society. We will then turn to Larry White's manuscript "The Clash of Economic Ideas." In it, White examines a number of twentieth century policy debates, in each case exploring antecedent ideas found in past writings. By the end of this course you will know more about the "big questions" in economics, about some of the most well-known people who have written about them and the times in which they were writing, and about the relevance of these early ideas for past and current debates in political economy. You will also provide input into the publication process. White's manuscript has not yet appeared as a book. We will be "test-driving" it, and one of your assignments will be to prepare a review in which you assess the book. I will send these to the editor of Cambridge University Press.

Course Structure and Requirements:

The course will be run partly as a lecture, and partly as a seminar, where we discuss common readings. I will lead the discussion on certain topics, and students will be chosen to lead others. Whatever the format, the basic requirement is to have read and thought about the material **before class**, and even if the format is a lecture, to be prepared to discuss it. To encourage you, before certain classes I will ask you to prepare a 1-2 page typed “response” to the assigned reading, which you will turn in at the end of the class. The “responses” should provide us with a good starting point for our class discussions.

The syllabus should be considered provisional, and topics may be added or deleted as we go along. The number of topics ultimately covered will depend on how quickly we move through the material.

Grades will be determined as follows: 20% for the assigned “response” papers, for performance leading the seminar presentations, and for general seminar participation; 30% for performance on a mid-term, which will consist in answering a subset of essay questions that you will have seen in advance; 25% for your review of the White manuscript; and 25% for your performance on a take home essay final.

For a discussion class like this one to be a success, everyone must attend class and participate: your absence imposes negative externalities on your classmates and on me. If you cannot commit to this, this class is not for you. Any absence not approved in advance by me is graded as a zero, as is any failure to turn in the reading response. I will attempt to keep you informed about your response paper/performance/participation grade during the course of the semester.

Students are warned that the Duke Community Standard’s prohibition on cheating and on plagiarism is in effect, enforced, and taken very seriously. Each student is responsible for knowing what constitutes a violation.

Students will purchase the two texts indicated below. White’s manuscript will be provided to you on Blackboard. PDFs of other material (articles and book excerpts) will either be posted on Blackboard or their availability online will be noted.

Texts:

Robert Tucker, ed. *The Marx-Engel Reader*. 2nd Ed. New York: Norton, 1978. Paperback.

F.A. Hayek, *The Road to Serfdom: Texts and Documents*, edited by Bruce Caldwell. Chicago: University of Chicago Press, 2007. paperback.

White, Lawrence H. *The Clash of Economic Ideas*. Manuscript.

Course Outline

1. The Early History

Readings: Robert Heilbroner, *The Worldly Philosophers* (New York: Simon and Schuster, 1986), 6th ed., chapters 1 & 2. Blackboard.

2. Adam Smith

Readings: Smith, *The Wealth of Nations*, Book I, chapters 1-4, 7; Book IV, chapter 2. <http://www.econlib.org/library/Smith/smWN.html>
Jacob Viner, "Adam Smith and Laissez-Faire" [1927], in Jacob Viner, *Essays on the Intellectual History of Economics*, ed. Douglas Irwin (Princeton: Princeton University Press, 1991), pp. 85-113. Blackboard.

3. Thomas Robert Malthus

Readings, Malthus, *An Essay on the Principle of Population*, chapters 1, 2, 4, 5, 19, at <http://www.econlib.org/library/Malthus/malPop.html>
and from the 6th edition, the chapter on "Moral Restraint."
<http://www.econlib.org/library/Malthus/malPlong26.html#Bk.IV,Ch.I>

4. Karl Marx and Friedrich Engels

Readings: Emile Guillaumin, *The Life of a Simple Man* [1904], translated by Margaret Crosland (Hanover, N. H.: University Press of New England, 1983), chapters 42 and 43. Blackboard.
From *The Marx-Engels Reader*:
Engels, "Working Class Manchester" (pp. 579-85)
Marx and Engels, "The Communist Manifesto" (pp. 473-91; 499-500. Omit section III)
Engels, "Socialism: Utopian and Scientific" (pp. 681-717).

5. The Marginal Revolution: Carl Menger and the German Historical School

Readings: Bruce Caldwell, *Hayek's Challenge: An Intellectual Biography of F. A. Hayek* (Chicago: University of Chicago Press, 2004), pp. 17-35. Blackboard.

6. Alfred Marshall

Readings: Alfred Marshall, *The Principles of Economics*, 8th ed. [1920]: Book I, chapters 1, 4; Book V, chapters 1-3.

<http://www.econlib.org/library/Marshall/marP.html>

Chapter 4, “The Market Forces of Supply and Demand.” In Gregory Mankiw, *Principles of Microeconomics*, 4th ed. (Mason, OH: Thomson, 2007), pp. 61-84. Blackboard.

7. John Maynard Keynes

Readings: John Maynard Keynes, “Am I a Liberal?” [1925], pp. 323-338; “The End of Laissez-Faire” [1926], pp. 312-322; and “Economic Possibilities for Our Grandchildren” [1930], pp. 358-373; all in *Essays in Persuasion* (New York: Harcourt Brace, 1932). Blackboard.

Bradley Bateman, “Keynes and Keynesianism,” in *The Cambridge Companion to Keynes*, edited by Roger E. Backhouse and Bradley W. Bateman (Cambridge: Cambridge University Press), 2006, pp. 271-90. Blackboard.

8. Friedrich Hayek

Readings: Friedrich Hayek, *The Road to Serfdom*, chapters to be determined. “The Use of Knowledge in Society.” Blackboard.

9. Joseph Schumpeter

Readings: *Capitalism, Socialism, and Democracy*

Chapter 7 http://w7.ens-lsh.fr/amrieu/IMG/pdf/Schumpeter_chapter_7.pdf

10. Larry White, *The Clash of Economic Ideas*.

Readings: Selected chapters.