

# Economics 116

## History of Economic Thought



Fall 2000  
Class time: TTh 11:50 - 1:35  
Classroom: Kenna 111

### **William A. Sundstrom**

Office: Kenna Hall 300N  
Phone and voice-mail: 408-554-6892  
Fax: 408-554-2331  
E-mail: [wsundstrom@scu.edu](mailto:wsundstrom@scu.edu)  
Course web page: <http://lsb.scu.edu/~wsundstrom/econ116/>  
Office hours: Tues. 2:00 - 3:00, Wed. 9:30 - 11:00

## **1. Description**

In this course we will study the early development of modern economic theory. The focus is primarily on the ideas of four economists who belonged to a school of thought known as "Classical Political Economy": Adam Smith, Thomas Malthus, David Ricardo, and Karl Marx. Their writings span the period 1776-1867. We'll see how these thinkers set the stage for many of the economic ideas that would follow them, but also how their ideas differed from and constitute alternatives to modern orthodox thinking about the economy. Smith takes up most of the first third of the course, with Ricardo and Marx the focus of the middle third. Although Smith is often seen as the greatest defender of market capitalism and Marx as its severest critic, we will see that their economic theories actually have much in common, and that their political views are more subtle than the stereotype.

In the final few sessions we examine the emergence of the "marginalist" school of economics, which built on some of the ideas of the classical school but overturned others. During the late 1800s the marginalists developed much of the microeconomic theory that you have learned in other economics courses, such as marginal costs and revenues and the role of supply and demand in determining prices and quantities. Our focus will be on the work of two economists whose path-breaking work on the distribution of income between workers and capitalists radically differed from the views of their classical predecessors: Eugen Böhm-Bawerk and John Bates Clark.

## **2. Prerequisites**

Econ 11, 12, and 13.

## **3. Readings**

The whole point of the course is to read and interpret the authors' own words. Therefore, we will read selections from the original works rather than a textbook. Most of the readings are available on the web. To obtain links to them, go to the course web site:

<http://lsb.scu.edu/~wsundstrom/econ116/>. Copies of readings not available on the web will be placed on reserve at the library. In addition, please purchase a copy of Adam Smith, *The Wealth of Nations*, which will be available at the bookstore soon.

#### **4. Class time, exams, and grading**

Class time will be devoted to lectures and discussion. I expect you to read the assigned chapters *in advance* of the scheduled lecture. Come to class each day prepared to discuss the following: (1) What was the single most important point of the required reading? (2) What was the most confusing part, or what seemed to be the most incorrect?

Grades will be based on class participation (10%), two midterm exams (25% each), and a comprehensive final exam (40%).

#### **5. Academic integrity**

I encourage you to study together and discuss the readings. You must do your own work on exams. Cheating will result in failing the course, and will be reported to the Dean.

<b>Topics and Readings</b>	
<b>Date</b>	<b>Topic</b>
Sept. 19	Introduction
Sept. 21	Economics "before Adam": Mercantilists and Physiocrats
Sept. 26	Adam Smith: Introduction; division of labor; money and value <i>Wealth of Nations</i> , Book I, Intro. and ch. 1-5
Sept. 28	Adam Smith: Prices and wages <i>Wealth of Nations</i> , Book I, ch. 6-8
Oct. 3	Adam Smith: Wages, profit, and rent <i>Wealth of Nations</i> , Book I, ch. 10
Oct. 5	Adam Smith: Capital accumulation and economic development <i>Wealth of Nations</i> , Book II, Intro., ch. 1, 3; Book III, chapters 1-2
Oct. 10	Adam Smith: International trade and protectionism; the place of self-interest in human affairs <i>Wealth of Nations</i> , Book IV, Intro., ch. 1-2; Other readings to be announced
Oct. 12	Midterm I
Oct. 17	Thomas Malthus: Population theory, the Poor Laws <i>Essay on Population</i> , chapters 1-7, 16
Oct. 19	David Ricardo: Distribution and growth; critique of Corn Laws <i>Essay on Profits</i>
Oct. 24	David Ricardo: Labor theory of value <i>Principles of Political Economy</i> , chapter 1 Handout, "Ricardo's Economics: An Algebraic Presentation"
Oct. 26	David Ricardo: Wages, international trade <i>Principles of Political Economy</i> , chapter 7
Oct. 31	Karl Marx: Introduction; theory of history; value and exploitation <i>Communist Manifesto</i> , Parts I, II; <i>Capital</i> , v. I, chapter 6
Nov. 2	Midterm II
Nov. 7	Karl Marx: Absolute and relative surplus value; the reserve army <i>Capital</i> , v. I, chapters 9, 10, 12, 25
Nov. 9	Smith, Ricardo, and Marx in perspective
Nov. 14	Eugen von Böhm-Bawerk: Capital, interest, and time preference <i>The Positive Theory of Capital</i> (pages TBA)
Nov. 16	Eugen von Böhm-Bawerk: Roundabout production and interest <i>The Positive Theory of Capital</i> (pages TBA)
Nov. 28	John Bates Clark: Ethics and income distribution; marginal product theory <i>The Distribution of Wealth</i> (pages TBA)
Nov. 30	Catch-up and review