

UNIVERSITÄT HOHENHEIM

INSTITUT FÜR VOLKSWIRTSCHAFTSLEHRE

Lehrstuhl für Wirtschaftstheorie

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Syllabus

“Development of Economic Thought”

(M.Sc.)

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For contact information, please turn to our homepage: <https://economics.uni-hohenheim.de>.

Course Description

This course surveys the main schools in the history of the development of macroeconomic thought. Its goal is to improve the understanding of modern theory by highlighting major controversies of the past, the resulting theory choices, and the comparative advantages and disadvantages of respective approaches. The course focuses on the *interpretation* of economic theory. The skillful ‘consumption of economic theory’ protects against adhocery and other careless use of models. In particular, the course emphasises the history of monetary economics and business cycle theory. It starts with the doctrines of classical economics (David Hume, Adam Smith, David Ricardo, J. B. Say, etc.) and stresses its significance for modern macroeconomics. Say’s Law, the Quantity Theory, and the specie-flow mechanism will be discussed intensively. Furthermore, special emphasis is on J. St. Mill and Marshall, both known for their ability to join and combine different approaches. This is important because the Cambridge tradition heavily influenced the history of macroeconomics through its impact on J. M. Keynes (whose opus magnum, the *General Theory*, will be discussed at length in the Reading Course, see below). It will be shown that some habits of modern macroeconomics may still be traced back to this British tradition and thus are, to some extent, incompatible with the neo-Walrasian paradigm. The course then reviews the diverse neoclassical theory. Like modern macro theory, many neoclassical economists set out to discuss macroeconomic problems in relation to Walrasian equilibrium theory (Knut Wicksell, Irving Fisher, F. A. Hayek, J. A. Schumpeter, etc.). The course also addresses the accompanying and ensuing rise of empirical business-cycle research (Kondratieff, Tinbergen, Koopmans, etc). Subsequently, we turn to post-WWII economics. The course will take us from the Neoclassical Synthesis (John Hicks, Paul Samuelson, Franco Modigliani) to Friedman’s counterrevolution (Monetarism), and eventually to the Rational Expectations Revolution (New Classics) and its critics (Simon, Kahneman). In all these topics the course highlights the theoretical alternatives open to the profession, and the development of economic science following from the choices finally made.

Class Sessions, Topics, and Readings

Sessions 1 (12.04.) & 2 (19.04.): Classical Real and Monetary Analysis

Core reading:

- Blaug, M., *Economic Theory in Retrospect*, Cambridge: Cambridge University Press, 1985, Ch. 5.
- Hagemann, H., 'The General Glut Controversy', in: Kurz, H. D. / Salvadori, N. (eds.), *The Elgar Companion to Classical Economics - A-K*, Cheltenham: Edward Elgar, 1998, pp. 320-5.
- Humphrey, T., 'Mercantilists and Classical: Insight From Doctrinal History', *Annual Report, Federal Reserve Bank of Richmond*, 1998, pp. 2-27.
- Laidler, D., *The Golden Age of the Quantity Theory*, Princeton: Princeton University Press, 1991, Ch. 2.

Advanced reading:

- Ahiakpor, J., *Classical Macroeconomics – Some modern variations and distortions*, London: Routledge, 2003, Ch. 3-4.
- Baumol, W., 'Say's (at least) eight laws, or what Say and James Mill may really have meant', *Economica*, 44(174), 1977, pp. 145-62.
- Becker, G. / Baumol, W., 'The classical economic theory: the outcome of the discussion', *Economica*, 19(76), 1952, pp. 355-76.
- Clower, R. / Leijonhufvud, A., 'Say's Principle, what it means and doesn't mean', in: Walker, D. (ed.), *Money and markets: essays by Robert W. Clower*, Cambridge MA: Cambridge University Press, 1984.
- Hollander, S., *Classical Economics*, New York: Basil Blackwell, 1987, Ch. 10.
- Humphrey, T. M., 'The Early History of the Phillips Curve', *Economic Review*, Sep/Oct, 1985, pp. 17-24.
- Kates, S., *Say's Law and the Keynesian Revolution*, Cheltenham: Edward Elgar, 1998.
- Lange, O., 'Say's Law: A Restatement and Criticism', in: *Studies in Mathematical Economics and Econometrics*, Chicago: University of Chicago Press, 1942, pp. 49-68.
- Morishima, M. / Catephores, G., 'Anti-Say's Law Versus Say's Law: A Change in Paradigm', in: Hanusch, H. (ed.), *Evolutionary Economics. Applications of Schumpeter's Ideas*, Cambridge: Cambridge University Press, 1988, pp. 23-53.
- Neisser, H., 'General Overproduction. A Study of Say's Law of Markets', *Journal of Political Economy*, 42, 1934, pp. 433-65.
- O'Brien, D., *The Development of Monetary Economics – A Modern Perspective on Monetary Controversies*, Cheltenham: Edward Elgar, 2007, Ch. 5.
- Samuelson, P. A., 'What Classical and Neoclassical Monetary Theory Really was', *The Canadian Journal of Economics*, 1(1), 1968, pp. 1-15.
- Sowell, T., *Classical Economics Reconsidered*, Princeton: Princeton University Press, 1974.
- Wennerlind, C., 'David Hume's Monetary Theory Revisited: Was He Really a Quantity Theorist and Inflationist?', *Journal of Political Economy*, 113(1), 2005, pp. 223-52.

Session 3 (26.04.): British Gradualism: From J. St. Mill to Alfred Marshall:

Core reading:

Hollander, S., *Classical Economics*, New York: Basil Blackwell, 1987, Ch. 10.4, 10.8.

Mill, J. St., 'Of the Influence of Consumption on Production', in J. M. Robson (ed.): *The Collected Works of John Stuart Mill*, Vol. IV, Toronto: University of Toronto Press, pp. 262-79.

Wolfe, J., 'Marshall and the Trade Cycle', *Oxford Economic Papers*, New Series 8(1), pp. 90-101.

Advanced reading:

Balassa, B., 'John Stuart Mill and the Law of Markets', *Quarterly Journal of Economics*, 73(2), pp. 263-74.

Blaug, M., *Economic Theory in Retrospect*, Cambridge: Cambridge University Press, 1985, Ch. 6.

Hagemann, H., 'Zur Debatte um das Saysche Gesetz: Mill als Krisentheoretiker', in Streissler, E. (ed.), *Studien zur Entwicklung der ökonomischen Theorie: John Stuart Mill*, Schriften des Vereins für Socialpolitik, 29, Berlin, 2002, pp. 187-211.

Keynes, J. M., *Tract on Monetary Reform*, New York: Prometheus - Great Minds Series, 2004.

Laidler, D., *The Golden Age of the Quantity Theory*, Princeton: Princeton University Press, 1991, Ch. 3.

Landreth, H. / Colander, D., *History of Economic Thought*, Boston: Houghton, 2002, Ch. 6, 10.

Marshall, A., *Money, Credit and Commerce*, London: Macmillan, 1923, Book IV, Ch. I-IV.

Medema S. / Samuels, W., *The History of Economic Thought: A Reader*, London: Routledge, 2003, pp. 501-22.

Mill, J. St., 'Of the Influence of Consumption on Production', in J. M. Robson (ed.): *The Collected Works of John Stuart Mill*, Vol. IV, Toronto: University of Toronto Press, pp. 262-79.

Mill, J. St., *Principles of Political Economy*, 1844, Book III, Ch. 14.

Schumpeter, J. A., *History of Economic Analysis*, Oxford: Oxford University Press, 1965, Ch. 6.4.

Snowdon, B. / Vane H. R., *Modern Macroeconomics – It's Origin's, Development and Current State*, Cheltenham: Edward Elgar, 2005, Ch. 2.

Stigler, G., *Production and Distribution Theories*, London: Transaction Publishers, 1941, Ch. 4.

Session 4 (03.05.): Wicksell on the Quantity Theory

Core reading:

Blaug, M., *Economic Theory in Retrospect*, Cambridge: Cambridge University Press, 1985, Ch. 15.

Humphrey, T.M. (1999), 'Irving Fisher and Knut Wicksell: Different Interpretations of the Quantity Theory?' in H.-E. Loeff, H.G. Monissen (eds.), *The Economics of Irving*

Fisher. Reviewing the Scientific Work of a Great Economist, Cheltenham, UK, and Northampton, MA, USA: Edward Elgar, pp. 59-78.

Laidler, D., "Wicksell and the Quantity Theory", in Laidler, D., *The Golden Age of the Quantity Theory*, Princeton: Princeton University Press, pp. 119-152, 1991.

Advanced reading:

Hirshleifer, J., *Investment, Interest, and Capital*, New Jersey: Prentice Hall, 1970, Ch. 5.

Humphrey, T., 'Historical Origins of the Cost-Push Fallacy', Federal Reserve Bank of Richmond *Economic Quarterly*, 84(3), 1998, pp.53-74.

Koopmans, J., 'Zum Problem des "Neutralen" Geldes', in: F. A. Hayek (ed.), *Beiträge zur Geldtheorie*, Vienna: Springer, 1933.

Leijonhufvud, A., 'The Wicksell Connection – Variations on a Theme', in: *Information and Coordination – Essays in Macroeconomic Theory*, New York: Oxford University Press, 1981, Ch. 7.

Medema S. and W. Samuels, *The History of Economic Thought: A Reader*, London: Routledge, 2003, pp. 255-60 (Wicksell), pp. 562-87 (Fisher).

Myrdal, G., 'Der Gleichgewichtsbegriff als Instrument der geldtheoretischen Analyse', in: F. A. Hayek (ed.), *Beiträge zur Geldtheorie*, Vienna: Springer, 1933.

Patinkin, D., 'The Indeterminacy of Absolute Prices in Classical Economic Theory', *Econometrica*, 17(1), 1949, pp. 1-27.

Patinkin, D., 'Wicksell's "Cumulative Process"', *Economic Journal*, 62(248), 1952, pp. 835-47.

Richter, R., *Geldtheorie – Vorlesung auf der Grundlage der Allgemeinen Gleichgewichtstheorie und der Institutionenökonomik*, Berlin: Springer, 1990, Ch. 4, 5, 6.

Robbins, L., *The Evolution of Modern Economic Theory*, London: Macmillan, 1970, Ch. 11.

Wicksell, K., *Interest and Prices – A Study in the Causes Regulating the Value of Money*, New York: Sentry Press, 1936.

Woodford, M., *Interest and Prices – Foundations of a Theory of Monetary Policy*, Princeton: Princeton University Press, 2003, Ch. 1.1, 1.4, 2.1.

Session 5 (10.05.): Fisher on the Quantity Theory

Core reading:

Humphrey, T., 'Fisher and Wicksell on the Quantity Theory', Federal Reserve Bank of Richmond *Economic Quarterly*, 83(4), 1997, pp.71-89.

Blanchard, O., 'What Do We Know About Macroeconomics that Fisher and Wicksell Did Not?' *Quarterly Journal of Economics*, 115(4), 2000, pp. 1375-410.

Advanced reading:

Bordo, M.I D. and Rockoff, H., 'The Influence of Irving Fisher on Milton Friedman's Monetary Economics'. *National Bureau of Economic Research Working Paper Series.*, 2011, Nr. 17267.

Fisher, I., *The Purchasing Power of Money. Its Determination and Relation to Credit, Interest, and Crises*, New York: MacMillan, 1911.

- Fisher, I., 'The Debt-Deflation Theory of Great Depressions', *Econometrica*, 1(1), 1933, pp. 337-57.
- Hagemann, H. 'The Impact of Fisher's Purchasing Power of Money in the German Language Area', mimeo.
- Shiller, R. J., 'Irving Fisher, Debt Deflation and Crises', *Cowles Foundation Discussion Papers*, No 1817, 2011.
- Thaler, R. H., 'Irving Fisher: Modern Behavioral Economist', *The American Economic Review*. 87 (2), S. 439–441.

Session 6 (24.05.): Schumpeter's Theory of Economic Development

Core reading:

- Hagemann, H., 'Schumpeter's early contributions on crises theory and business-cycle theory', *History of Economic Ideas*, XI(1), 2003, pp. 47-67.
- Schumpeter, J.A., 'The Explanation of the Business Cycle', *Economica*, 21, 1927, pp. 286-311.
- Stolper, W.F., 'Schumpeter, Joseph Alois (1883-1950)', in: Glasner, D. (ed.), *Business Cycles and Depressions. An Encyclopedia*, New York: Garland, 1997, pp. 602-605.

Advanced reading:

- Aghion, P. / Howitt, P., 'A Model of Growth Through Creative Destruction', *Econometrica*, 60(2), 1992, pp. 323-51.
- Andersen, E.S., *Joseph A. Schumpeter. A Theory of Social and Economic Evolution*, London: Palgrave Macmillan, 2011.
- Becker, M.C. / Knudsen, T., 'Schumpeter 1911: Farsighted Visions on Economic Development', *American Journal of Economics and Sociology*, 61(2), 2002, pp. 387-403.
- Elliott, J.E., 'Marx and Schumpeter on Capitalism's Creative Destruction: A Comparative Restatement', *The Quarterly Journal of Economics*, 95(1), 1980, pp. 45-68.
- Giersch, H., 'The Age of Schumpeter', *The American Economic Review*, 74(2), 1984, pp. 103-9.
- Haberler, G., 'Joseph Alois Schumpeter 1883-1950', *The Quarterly Journal of Economics*, 64(3), 1950, pp. 333-72.
- Haberler, G., *Prosperity and Depression – A Theoretical Analysis of Cyclical Movements*, Geneva: League of Nations, 1937.
- Hanusch, H. / Pyka, A., 'Principles of Neo-Schumpeterian Economics', *Cambridge Journal of Economics*, 31(2), 2007, pp. 275-89.
- Kurz, H., *Joseph A. Schumpeter – Ein Sozialökonom zwischen Marx und Walras*, Marburg: Metropolis, 2005.
- Kutznets, S. 'Schumpeter's Business Cycles', *The American Economic Review*, 30(2), 1940, pp. 257-71.
- Schumpeter, J.A., *The Theory of Economic Development*, Berlin: Duncker & Humblot, 1934.
- Schumpeter, J.A., 'The Analysis of Economic Change', *The Review of Economics and Statistics*, 17(4), 1935, pp. 2-10.

- Schumpeter, J.A., *Business Cycles. A Theoretical, Historical and Statistical Analysis of the Capitalist Process*, New York: McGraw-Hill, 1939.
- Shionoya, Y., *Schumpeter and the Idea of Social Science: A Metatheoretical Study*, Cambridge: Cambridge University Press, 1997.
- Tinbergen, J., 'Schumpeter and Quantitative Research in Economics', *The Review of Economics and Statistics*, 33(2), 1951, pp 109-11.

Section 7 (14.06.): Hayek and the Austrian Theory of Business Cycles

Core reading:

- Ellis, H.S., *German Monetary Theory, 1905-1933*, Cambridge MA: Harvard University Press, 1934.
- Hagemann, H. / Trautwein, H.-M., 'Cantillon and Ricardo Effects: Hayek's Contributions to Business Cycle Theory', *European Journal for the History of Economic Thought*, 5(2), 1998, pp. 292–316.
- Hoover, K., *The New Classical Macroeconomics – A Sceptical Inquiry*, Oxford: Basil Blackwell, 1988, Ch. 5.10.

Advanced reading:

- Caldwell, B., *Hayek's Challenge – An Intellectual Biography of F.A. Hayek*, Chicago: University of Chicago Press, 2004, pp. 155-231.
- Garrison, R., *Time and Money – The macroeconomics of capital structure*, London: Routledge, 2001, Ch. 1-4.
- Haberler, G., *Prosperity and Depression – A Theoretical Analysis of Cyclical Movements*, Geneva: League of Nations, 1937.
- Hayek, F. A., 'Das intertemporale Gleichgewichtssystem der Preise und die Bewegungen des Geldwertes', *Weltwirtschaftliches Archiv*, 1928, pp. 33-79.
- Hayek, F.A., *Monetary Theory and the Trade Cycle*, New York: Sentry Press, 1933.
- Hayek, F.A., *Prices and Production*, 2. ed., London: Routledge and Kegan Paul, 1935.
- Hayek, F.A., 'Economics and Knowledge', in: *Individualism and Economic Order*, Chicago: University of Chicago Press, 1980, pp. 33-56.
- Hayek, F.A., 'The Use of Knowledge in Society', in: *Individualism and Economic Order*, Chicago: University of Chicago Press, 1980, pp. 77-91.
- Horwitz, S., *Microfoundations and Macroeconomics – An Austrian Perspective*, London: Routledge, 2000, pp. 1-61.
- Lucas, R., 'Understanding business cycles', in: R. Lucas, *Studies in Business Cycle Theory*, Oxford: Basil Blackwell, 1981, pp. 215-39.
- Lucas, R., 'Methods and Problems in business cycle theory', in: R. Lucas, *Studies in Business Cycle Theory*, Oxford: Basil Blackwell, 1981, pp. 271-96.
- Lutz, F.A., *Das Konjunkturproblem der Nationalökonomie*, Jena, 1932, pp. 93-106.
- Snowdon, B. / Vane H. R., *Modern Macroeconomics – It's Origin's, Development and Current State*, Cheltenham: Edward Elgar, 2005, Ch. 9.
- White, L. H., 'Hayek's Monetary Theory and Policy', *Journal of Money, Credit and Banking*, 31(1), 1999, pp. 109-20.

Session 8 (21.06.): The Beginning of Empirical Business Cycle Research and the Econometric Method

Core reading:

- Kondratieff, N. D., 'The Long Waves in Economic Life', *The Review of Economics and Statistics*, 17(6), 1935, pp. 105-15.
- Koopmans, T., 'The Econometric Approach to Business Fluctuations', *The American Economic Review*, 39(3), 1949, pp. 64-72.
- Tinbergen, J., 'The Functioning of Economic Research', *Journal of Economic Issues*, 25(1), 1991, pp. 33-8.

Advanced reading:

- Burns, A. F. / Mitchell, W. C., *Measuring Business Cycles*, New York: NBER, 1946 (available at <http://www.nber.org/books/burn46-1>).
- Frisch, R., 'Editor's Note', *Econometrica*, 1(1), 1933, pp. 1-4.
- Haavelmo, T., 'Statistical Testing of Business-Cycle Theories', *The Review of Economics and Statistics*, 25(1), 1943, pp. 13-8.
- Haavelmo, T., 'The Role of the Econometrician in the Advancement of Economic Theory', *Econometrica*, 26(3), 1958, pp. 351-7.
- Kalecki, M., 'A Macrodynamic Theory of Business Cycles', *Econometrica*, 3(3), 1935, pp. 327-44.
- Katona, G. / Klein, L.R., 'Psychological Data in Business Cycle Research', *American Journal of Economics and Sociology*, 12(1), 1952, pp. 11-22.
- Keynes, J.M., 'Professor Tinbergen's Method. Review of Statistical Testing of Business-Cycle Theories I', *The Economic Journal*, 49(195), 1939, pp. 558-568.
- Kitchin, J., 'Cycles and Trends in Economic Factors', *The Review of Economics and Statistics*, 5(1), 1923, pp. 10-16.
- Koopmans, T., 'The Logic of Econometric Business-Cycle Research', *The Journal of Political Economy*, 49(2), 1941, pp. 157-81.
- Lancaster, T., *An Introduction to Modern Bayesian Econometrics*, Oxford: Wiley-Blackwell, 2004.
- Marschak, J., 'Mr. Keynes on the Statistical Verification of Business Cycle Theories', in: Hendry, D.F. / Morgan, M.S. (eds.), *The Foundations of Econometric Analysis*, Cambridge: CUP, 1995 [1940], pp. 390-398
- Mitchell, W. C., *Business Cycles: The Problem and its Settings*, New York: NBER, 1927 (available at <http://www.nber.org/books/mitc27-1>).
- Roos, C. F., 'Constitution of the Econometric Society', *Econometrica*, 1(1), 1933, pp. 106-8.
- Samuelson, P., 'Interactions between the Multiplier Analysis and the Principle of Acceleration', *The Review of Economics and Statistics*, 21(2), 1939, pp. 75-8.
- Schumpeter, J. A., 'The Common Sense of Econometrics', *Econometrica*, 1(1), 1933, pp. 5-12.
- Tinbergen, J., *Statistical Testing of Business Cycle Theories*, Geneva: League of Nations, 1939.
- Tinbergen, J., 'Econometric Business Cycle Research', *The Review of Economic Studies*, 7(2), 1940, pp. 73-90.

Tinbergen, J., 'Critical Remarks on Some Business-Cycle Theories', *Econometrica*, 10(2), 1942, pp. 129-46.

Session 9 (28.06.): Keynes's General Theory of Employment, Interest, and Money

Core reading:

Patinkin, D., 'Keynes, John Maynard (1883-1946)', in: J. Eatwell et al (eds.), *The New Palgrave*, Vol. 3, London 1987, pp. 19-42.

Posner, R., 'How I became a Keynesian', *The New Republic*, 23 September 2009 (available at <http://www.tnr.com/article/how-i-became-keynesian>).

Advanced reading:

Chick, V., *Macroeconomics after Keynes: A Reconsideration of the 'General Theory'*, Oxford: Philip Allan, 1983.

Clarke, P., *Keynes. The Rise, Fall, and Return of the 20th Century's Most Influential Economist*, New York: Bloomsbury Press, 2009.

Coddington, A., 'Keynesian Economics: The Search for First Principles', *Journal of Economic Literature*, 14(4), 1976, pp. 1258-73.

Eatwell, J., Milgate, M., *The Fall and Rise of Keynesian Economics*, Oxford: Oxford University Press, 2011.

Hagemann, H., Krämer, H. (eds), *Keynes 2.0 – Perspektiven einer modernen keynesianischen Wirtschaftstheorie und Wirtschaftspolitik*, Jahrbuch 23 von Ökonomie und Gesellschaft, Marburg: Metropolis, 2011.

Hollander, S., 'Malthus and Keynes: A Note', *The Economic Journal*, 72(286), 1962, pp. 355-9.

Kahn, R.F., *The Making of Keynes' General Theory*, Cambridge: Cambridge University Press, 1984.

Keynes, J.M., *A Tract on Monetary Reform*, London: MacMillan, 1923.

Keynes, J.M., *A Treatise on Money*, London: MacMillan, 1930.

Keynes, J.M., *The General Theory of Employment, Interest, and Money*, London: MacMillan, 1936.

Leijonhufvud, A., 'Keynesian economics: Past confusions and future prospects', in: Vercelli, A. / Dimitri, N. (eds), *Macroeconomics: A Survey of Research Strategies*, Oxford: Oxford University Press, 1992, pp. 16-37.

Pasinetti, L.L., Schefold, B. (eds), *The Impact of Keynes in the 20th Century*, Cheltenham: Edward Elgar, 1999.

Pigou, A.C., 'Mr. J. M. Keynes' General Theory of Employment, Interest and Money', *Economica*, 3(10), 1936, pp. 115-32.

Skidelsky, R., *Keynes: The Return of the Master*, London: Allen Lane, 2009.

Taylor, L., *Maynard's Revenge. The Collapse of Free Market Macroeconomics*, Cambridge (MA): Harvard University Press.

Tobin, J., 'Keynesian Models of Recession and Depression', *The American Economic Review*, 65(2), 1975, pp. 195-202.

Session 10 (05.07.): Macroeconomics after WWII: The ‘Neoclassical Synthesis’

Core reading:

- Barens, I. and Caspari, V. ‘Old views and new perspectives: on reading Hicks’s “Mr. Keynes and the Classics”’, *The European Journal of the History of Economic Thought*. 6 (2), 1999, pp. 216–241.
- Darity, W. and Young, W.: ‘IS-LM: An Inquest’. In: *History of Political Economy*. 27 (1), 1995, pp. 1–41.
- DeVroey, M., ‘IS-LM a la Hicks versus IS-LM a la Modigliani’, *History of Political Economy*, 32(2), 2000, pp. 293-316.
- Dixon, H. and Gerrard, B., ‘Old, New and Post Keynesian Perspectives on the IS-LM Framework: A Contrast and Evaluation’, in: W. Young and B.Zilberfarb (eds), *IS-LM and modern macroeconomics*, pp. 7-28.

Advanced reading:

- Backhouse, R. E. and Laidler, D.), ‘What Was Lost with IS-LM’, *History of Political Economy*. 36 (Supplement 2004), pp. 25–56.
- Blanchard, O. J., ‘neoclassical synthesis’, *The New Palgrave Dictionary of Economics*, 2008.
- De Vroey, M. and Hoover, K. D., ‘Introduction: Seven Decades of the IS-LM Model’, *History of Political Economy*. 36 (Supplement 2004), pp. 1–11.
- Hicks, J. R., ‘Mr. Keynes and the “Classics”; A Suggested Interpretation’, *Econometrica*, 5(2), 1937, 147-59.
- Hicks, J. R. “‘IS-LM’: An Explanation’, *Journal of Post Keynesian Economics*, 3(2), 1980/81, pp. 139-54.
- Klein, L. R., ‘The IS-LM Model: Its Role in Macroeconomics’, in: W. Young and B.Zilberfarb (eds), *IS-LM and modern macroeconomics*, pp. 151-159.
- Leijonhufvud, A., ‘What was the Matter With IS-LM?’, in J.-P. Fitoussi (ed.), *Modern Macroeconomic Theory*, Oxford: Oxford University Press, 1983, 64-90 (available at <http://www.econ.ucla.edu/workingpapers/wp186.pdf>).
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- Patinkin, D., ‘Price Flexibility and Full Employment’, *The American Economic Review*, 38(4), 1948, pp. 543-64.
- Patinkin, D., ‘In Defense of IS-LM’, *Banca Nazionale del Lavoro Quarterly Review*, 172, 1990, pp. 119-34 (available at: <http://www.econ.ucla.edu/workingpapers/wp537.pdf>).
- Woodford, M., ‘Revolution and Evolution in Twentieth-Century Macroeconomics’, Forthcoming, in: Gifford, P., (ed.), *Frontiers of the Mind in the Twenty-First Century*, Harvard University Press (available at www.princeton.edu/~woodford/macro20c.pdf).
- Young, W., *Interpreting Mr. Keynes. The IS-LM enigma*, Oxford: Polity Press, 1987

Session 11 (12.07.): The Phillips Curve Debate

Core reading:

- Friedman, M., 'The Role of Monetary Policy', *The American Economic Review*, 58(1), 1968, pp. 1-17.
- Humphrey, T. M., 'The Evolution and Policy Implications of Phillips Curve Analysis', *Economic Review*, Mar/Apr, 1985, pp. 3-22.
- Johnson, H. G., 'The Keynesian Revolution and the Monetarist Counter-Revolution', *The American Economic Review*, 61(2), 1971, 1-14.

Advanced reading:

- Alchian A., 'Information Costs, Pricing, and Resource Unemployment', in: Phelps, E.S. et al., *The New Microeconomics in Employment and Inflation Theory*, New York: W.W. Norton, 1970, pp. 27-52.
- Brunner, K., 'The Monetarist Revolution in Monetary Theory', *Weltwirtschaftliches Archiv*, 105, 1970.
- Brunner, K. / Meltzer, A. H., 'Friedman's Monetary Theory', in: Gordon, R. J. (ed.), *Milton Friedman's Monetary Framework – A Debate with His Critiques*, Chicago: University of Chicago Press, 1974, pp. 63-76.
- Fisher, I., 'A Statistical Relation between Unemployment and Price Changes', *International Labour Review*, 13 (6), 1926, pp.785-92.
- Friedman, M., 'The Quantity Theory of Money: A Restatement', in: M. Friedman (ed.), *Studies in the Quantity Theory of Money*, Chicago: University of Chicago Press, 1956.
- Friedman, M., 'Nobel Lecture: Inflation and Unemployment', *Journal of Political Economy*, 85(3), 1977, pp. 451-72.
- Friedman, M., 'A Theoretical Framework for Monetary Analysis', in: R. J. Gordon (ed.), *Milton Friedman's Monetary Framework – A Debate with His Critiques*, Chicago: University of Chicago Press, 1974, pp. 1-62.
- Johnson, H. G., *Inflation and the Monetarist Controversy*, London: North-Holland, 1971, Ch. 1, 2.
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- Lucas, R. / Rapping, L., 'Real, Wages, Employment, and Inflation', in: E. S. Phelps et al., *The New Microeconomics in Employment and Inflation Theory*, New York: W.W. Norton, 1970, pp. 257-305.
- Mayer, T., *The Structure of Monetarism*, New York, Norton & Company, 1978, pp. 1-46
- Modigliani, F., 'The Monetarist Controversy or, Should We Forsake Stabilization Policies?', *The American Economic Review*, 67(2), 1977, 1-19.
- Patinkin, D., 'The Chicago Tradition, The Quantity Theory, And Friedman', *Journal of Money, Credit and Banking*, 1(1), 1969, pp. 46-70.
- Phelps, E. S. et al., 'Phillips Curves, Expectations of Inflation and Optimal Unemployment over Time', *Economica*, 34(135), 1967, pp. 254-81.
- Phelps, E. S. et al, *The New Microeconomics in Employment and Inflation Theory*, New York: W.W. Norton, 1970, pp. 1-26.

- Phelps, E. S., *Seven Schools of Macroeconomic Thought*, Oxford: Oxford University Press, 1990, Ch. 2.
- Phillips, A. W., 'The Relation between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957', *Economica*, 25(100), 1958, pp. 283-99.
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