Syllabus
“Development of Economic Thought”
(M.Sc.)
Summer 2012

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 adhockery 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 Classicals) 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:

Advanced reading:
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.
O’Brien, D, The Development of Monetary Economics – A Modern Perspective on Monetary Controversies, Cheltenham: Edward Elgar, 2007, Ch. 5.
Session 3 (26.04.): British Gradualism: From J. St. Mill to Alfred Marshall:

**Core reading:**

**Advanced reading:**

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

**Core reading:**


Advanced reading:


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


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

Core reading:


Advanced reading:


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

**Core reading:**


**Advanced reading:**


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

Core reading:

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

Core reading:

Advanced reading:

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

**Core reading:**


**Advanced reading:**


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

Core reading:


Advanced reading:


Session 11 (12.07.): The Phillips Curve Debate

Core reading:

Advanced reading:


**Session 12 (19.07.): The New Classical Macroeconomics**

**Core reading:**


**Advanced reading:**


