HOW I TAUGHT THE HISTORY OF ECONOMIC THOUGHT

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1. INTRODUCTION AND OVERVIEW

Between 1959 and 1968 I taught graduate history of economic thought to Master’s students at the University of Miami, and between 1968 and 1998 I taught graduate history of economic thought to Doctoral and Master’s students at Michigan State University. This is an account of what I tried to accomplish in the graduate courses at MSU, especially the story I told, and how I went about it.

For most of my thirty years’ tenure at MSU the history of economic thought was a year-long sequence, initially running three terms and subsequently, after the switch to the semester system, running two semesters. Shortly before my retirement in 1998 (without replacement) a one-semester course was introduced. When teaching responsibility was divided between John P. Henderson and myself, either I taught both courses or, more typically, John taught the first and I the second; the precise course assignments depending upon what other courses each of us had to teach. When Jeff Biddle joined us, he took over much of John’s teaching and, again, our course assignments were part of a general-equilibrium balancing. With John’s retirement, Jeff and I divided the work, with him typically, but by no means only, teaching the earlier material and I the later material. Also affecting teaching assignments was the change to a staggered system in which the two-course sequence was not always taught each year. In some years only one of the two courses would be taught; in some years, two; and in some years, three.

Our teaching responsibility also included a two-semester sequence in undergraduate history of economic thought. Here, too, teaching assignments depended on other teaching responsibilities. In those courses, I assigned Henry W. Spiegel’s Growth of Economic Thought and either E. K. Hunt’s History of Economic Thought or E. Ray Canterbery’s The Making

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Thus, the students were exposed to three accounts of the history of economic thought—not to mention other items on the reading list.

My other teaching responsibilities, which varied over time, included graduate and undergraduate public expenditure theory, macroeconomics for M.B.A students, and graduate law and economics (economic role of government). Jeff’s were in the fields of econometrics and labour.

In what follows, no attention is given to the changing break points, initially two when we taught three terms and eventually one when we taught two semesters. The one-semester course began with a survey of where economics stood c.1885, i.e., just before Marshall’s *Principles* appeared, and then turned to it. Also in what follows, I concentrate relatively more on the lectures than on the reading assignments.

My overall objectives in teaching the history of economic thought courses included, first and foremost, that the students learn the emerging content of the history of economic thought from ancient to modern times. I made it clear that they were expected to learn the material covered in readings and in lectures with a degree of mastery and sophistication appropriate to the level of the course, which was at the doctoral level. Appendix 2 includes material pertinent to the assignment of research papers; Appendix 3 presents some final exam tests.

After introductory discussion, about which more below, the general sequence of substantive topics is, with a few exceptions, fairly conventional. I do not assume, for example, that since the students already know the principal figures and schools, I can concentrate on other people and topics. (This would not be the case given the extent of history of economic thought courses for undergraduates at other universities and colleges.) Lectures on ancient economic thought covered its character and content in the pre-classical civilizations; likewise, but with more material to cover, with Greece (Hesiod, Plato and Aristotle, and Xenophon) and Rome. This was followed by lectures on the nature and content of Scholastic (medieval and somewhat down to the present) and Protestant economic thought. Attention then turned to mercantilism, several precursors of Adam Smith (Petty, Locke, Cantillon, Mandeville, and Hutcheson), and Physiocracy. After lecturing on an overview of these and other precursors of classical economics and some preliminary comments on classical economic thought as a whole, I turned to an intensive analysis of Adam Smith, followed first by an intensive analysis of English classical political economy in general; Malthus, Ricardo, Say, and Bentham; the significance of Classical economic theory; and fourth, the Classical theory of economic policy.

Possibly with an introductory discussion of the Classical heritage, I next lectured on German and English Romanticism; socialism in general, utopian economic thought, anarchism, and Marx and Marxian economics;
the German and English historical schools; marginal utility and Austrian economics; the *Methodenstreit*; and general equilibrium theory. After a discussion of the heritage of dissonance constituting an identity crisis, I lectured on Marshall, the further development of neoclassical economics, institutional economics, Keynes and the early development of macroeconomics, and an overview of developments in the post-War period (with whose coverage I became increasingly disappointed: recent economic study is so vast and so variegated that considerable time is required to portray it in a meaningful manner-time, it seems to me, is more of a problem than recency per se; see Samuels, Johnson and Johnson 2004).

If I had time, I often asked students for suggestions for lectures on topics in which they were interested. Among the topics were the history of monetary theory in the 19th and 20th centuries; Islamic economic thought; Post Keynesian economics; monetarist, new classical and Keynesian economics; Gardiner Means; and John Kenneth Galbraith.

A few times I concluded with the topic, the history of economic thought in retrospect. I covered the problem of Whig history of economic thought; the history of economic thought as a branch of intellectual history; the matrix approach to multiplicity and pluralism; selected methodological and historiographical problems, including internalism versus absolutism, multiplicity, selective construction, appropriation and use of the past; the problem of precursor status; and the problem of a single necessarily correct, or privileged, interpretation. A different outline, entitled ‘Lecture on the Early Themes in Retrospect’, looked back and commented on themes articulated in the initial lectures. The topics included the history of economic thought as definition of reality and as argument; human choice and human social construction vis-à-vis economic laws; the importance of dominant paradigm; the system-specificity of ideology; economic theory within the postulates of organisation and control theory; economic schools; the economy as a system of power and the economic role of government; methodological individualism vis-à-vis methodological collectivism; ideology, hard knowledge, social control and psychic balm in each school; and Ricardo in retrospect. An outline of notes for a concluding lecture is given in Appendix 4.

The principal figures studied intensively in respective classes were Smith, Ricardo, Marx, Marshall, Pareto, Keynes and Veblen-Commons. The students were expected to have read substantially all of Smith’s *Wealth of Nations* and Marshall’s *Principles* (8th edition).

I often concluded with discussion of the factors and forces operative in the development of economic thought. For some years the centres of attention were George Shackle’s *The Years of High Theory*, Joan Robinson’s *Economic Philosophy*, and Ben Ward’s *What’s Wrong with Economics*. In time, with the growth of other materials, not all three were
covered, and those covered were less intensively discussed. For a few years, John Maloney’s *Marshall, Orthodoxy and the Professionalization of Economics* was discussed.

By this point, the end of the course, the students seem to feel overwhelmed by how much has been covered in lectures and in readings; and I feel both exuberant because of my devotion to the subject and overwhelmed because of how much I did not have time for and how much I did not know. Hopefully, the students appreciated that while I think my interpretation of the history of economic thought is meaningful, I also think it is but one of numerous interpretations—reaffirming the problem of multiplicity.

The reading lists were long. Among the textbooks, the one constant was Mark Blaug’s *Economic Theory in Retrospect* (new editions as they appeared). Other required texts varied and included (beyond works already noted, such as Smith’s magnum opus, Shackle, Ward and Robinson): Maurice Dobb’s *Theories of Value and Distribution Since Adam Smith*; Ben B. Seligman’s, *Main Currents in Modern Economics*; Wesley C. Mitchell, *Types of Economic Theory*; and so on. A sample of the readings is given in Appendix 1.

That the students learn the emerging content of the history of economic thought from ancient to modern times certainly was, and had to be, a principal objective. It was not, however, my only one. I desired to establish in each student mind an appreciation of the history of economic thought (and methodology; see below) and the types of work done by historians of economic thought. I also very much desired to have the students become sensitive to the following: the history and nature of economic ideas and the history of economic thought as intellectual history; epistemology, ontology, discourse analysis and an array of historiographical problems pertaining to the history of economic thought; the nature and sources of complexities and distortions, and of different approaches to the history of economic thought; the functions of economics as knowledge; and, *inter alia*, something of the dynamics of theoretical innovation and development, which included the driving forces of controversy over the distributions of income and wealth and over the economic role of government. How much success—how much permanent sensitivity to these matters—I had is unknown. I would have been delighted to assign *A Companion to the History of Economic Thought*, co-edited by Biddle, John B. Davis and me (2003), but this collection was published five years after my retirement.

The various notes that I used in teaching the history of economic thought were prepared and repeatedly amended—on the basis of new reading and new judgments on coverage and interpretation—and several times redone in part. Alas, I rarely jotted down the sources of new points and
language, added on an ad hoc basis as a result of research and other reading. This was because I had no thought of preparing the notes for publication in either this form, as notes, or as the basis of a textbook. (Although personally uninterested in writing a textbook, I thought that if I did write one it would cover the original materials plus the interpretive literature in detail). Alas, as must be the case with such notes, they embody and make use of sources that arguably should be cited. I regret my inability to give credit where credit is due. Surely the influence of the half-dozen or so courses on (or effectively on) the history of economic thought I had as an undergraduate and graduate student is enormous, especially the courses given by James S. Earley and Martin Bronfenbrenner. (My lecture notes from Earley’s history of economic thought course were published in volume 21-B of Research in the History of Economic Thought and Methodology (2003): notes from Bronfenbrenner’s distribution theory course will appear in a future volume). Another certain influence is my institutionalist orientation on understanding the treatment of the economic role of government in the history of economic thought. But, so far as I can see, the principal influence has been my own research and other reading on the subjects of the course, both the original authors and the commentators and interpreters. I have absorbed and combined but in ways such that I am largely unable to identify those to whom I owe so much.

The summaries given below may unintentionally mislead. Certain topics, or certain figures, are so well known, that relatively few words are needed to describe them. Other topics, however, are not so conventional and, I feel, need somewhat longer space in order to convey what I have in mind.

I should identify the MSU doctoral dissertations in the fields of the history of economic thought and methodology that I either supervised or co-supervised, typically along with Henderson or Biddle, plus one I co-supervised at the University of Michigan. (I supervised two dissertations in the Department of Resource Economics at MSU and others not in the history of economics in Economics at MSU). I learned a great deal from these students. I also found that although Henderson, Biddle and I came to our work from very different perspectives, we never disagreed on what we required of students writing dissertations. The list of names, titles and dates is as follows:


At the University of Miami, in the mid 1960s, I supervised a master's thesis on the history of macroeconomics by Harvey Botwin. It showed me how much I could learn from a student.

2. METHODOLOGICAL, HISTORIOGRAPHICAL AND DISCOURSE-ANALYSIS TOPICS

In the late 1960s at Michigan State University I prepared notes, largely on historiographical and epistemological (methodological) topics, for use in the three-term graduate sequence in the history of economic thought. The notes originally served as the basis of my introductory lectures and were irregularly revised and expanded. The problem arose as to whether the introductory lectures would be repeated each term (a significant proportion of students in the second and third terms had not taken the first term). The first solution was to lecture in the first term and distribue the notes to students in the second and third terms, and respond to questions about their contents. The second and lasting solution (continued when MSU adopted the semester system) was to distribute the notes both semesters and not lecture on them at all, though calling attention to selected topics and points. In time, still distributing the first set of notes, further introductory lectures were delivered that examined additional ontological, epistemological, historiographical and hermeneutic topics. Both sets of introductory notes concentrated on belief vis-à-vis truth and on discourse analysis-
hermeneutics. Considerable attention was devoted to the nature and structure of thought; the roles of belief system, paradigms and cognitive and symbolic systems; and economics as knowledge, social control, and psychic balm, to wit, the functions of rhetoric.

For the new introductory lectures on additional ontological, epistemological and hermeneutic topics that went beyond the materials in the first set, for several years I used in part an outline of Samuels 1991 and in part separate notes. Thereafter I used a different set of notes more or less revised for each new class.

The first set of introductory notes to the graduate study of the history of economic thought, and the reasons for their use, was published in Samuels 2004a. The second set will be published in Samuels 2005. The latter contains the outline of Samuels 1991 as Set II.1. The notes published as Sets II.2 and II.3 are composites, as to content and sequence of topics, of subsequent lectures. Variations of these notes served as the basis of lectures and were not distributed. One difference between II.1 and II.2-3 is the further increasing attention given to historiographic topics vis-à-vis discourse-analysis topics with the passage of time. The common elements are the social construction of reality, in two senses: the literal creation of economy and the interpretations given that creation; the distinctions between truth and belief system, and between truth and validity; the continuing relevance therefore of epistemology and ontology alongside the rhetoric of economics; the relations of epistemology and language to policy; and the importance of limits. During this period of time conflict had erupted between advocates of the rhetorical and the epistemological approaches to the history of economic thought. I was teaching that both approaches to the meaningfulness of ideas were important.

It had long been my practice to distribute reprints and new manuscripts to more fully acquaint students with what I do as an historian of economic thought and as a methodologist. Included, therefore, in distributed materials during the period when the second sets of notes were used, were, typically, the following:


The outlines comprising the introductory notes are quite detailed. They have been published and are too long to be reproduced here. Nonetheless, account should be given to key themes and topics, inasmuch as these help identify my approach to the subject-matter.

The first set commences with such topics or problems as the multiplicity of different conceptions of economics and the economy; the idea of economics being comprised of two traditions, that of economic theory, so-called, including the theories of resource allocation (microeconomics), distribution of income, level of income etc. (macroeconomics) and subsidiary fields; and that of the theory of economic policy (or theory of the economic order), comprised of the theories of the organisation and control of the economy as a system and of the economic role of government; other objectives, such as the relation of present to past thought, and the development of a critical posture based on distance without alienation. The first set next identifies and cautions about some complexities and distortions, such as over-systematisation and caricature; the problems of confusion over facts and values, and the epistemological basis of facts; differential scope of economics; different types of social thought; changing definitions; the three roles of economics: as knowledge, social control, and psychic balm; incompleteness; and over-intellectualisation due to power, psychology and argument. Next I outline several approaches to the history of economic thought and several
problems therein, such as history as progress from error to truth, and the relative autonomy of economic theory (absolutism versus relativism). I then explore the scope of economic thought, namely the issues of the central problem of economics and of the range of admitted variables; and the nature of economic thought, raising such issues as the fundamental problem of epistemology, the manipulation of variables, determinism versus radical indeterminacy, the use of the status quo, and further issues as to type of social thought.

I take up next the epistemological structure of economic thought. Here I distinguish general cosmology from economic theory, theory of economic policy, and methodology (epistemology). My principal attention is devoted to the problem of the structure of knowledge: cosmology, metaphysics, science (positivism), deduction and induction, and commonsense. I stress, *inter alia*, complementarity between induction and deduction, and a credentialist rather than prescriptivist approach to epistemological rule making (that propositions etc. should carry one or another set of credentials rather than adopting a priori some one rule or set of rules and proscribing and discarding any proposition etc. that fails to conform thereto; in short, theoretical and methodological pluralism. This section concludes with attention to paradigms and cognitive and symbolic systems and their relevance to understanding the history of economic thought, and further as to the problems of value-fact, positive-normative, and the status of the status quo.

I then consider the relation of knowledge to social action (Frank H. Knight’s term), exploring in detail economics as knowledge, social control and psychic balm. Among the topics covered are idealism versus realism, the problem of order, and the high priest role of the economist. The penultimate section is addressed to the question, what does one find in the history of economic thought so far as form and not content is concerned? The answers integrate earlier discussions of the complex structure of knowledge, varieties of differences and of interactions, the role of dominant paradigm or cognitive system, and learning. The final section explores the dynamics of theoretical development, integrating some other earlier discussions and considering specific examples of causal factors and processes.

Oddly, one would not know from this first set of introductory notes that when I lectured using them I covered the important topics associated with Karl Popper, Thomas S. Kuhn, and Imre Lakatos (only Kuhn is mentioned by name, regarding the dynamics of theoretical innovation). Nonetheless, great stress is put on George Shackle’s hypothesis that the chief service of a theory is setting minds at rest and Merle Curti’s distinction between the growth of knowledge and of speculation, i.e., on the development of what I came to call systems of belief.
The second set of outlined introductory notes, actually three sets, presents an essentially Post Modernist (or my understanding of Post Modernism) view of the nature and meaning of the history of economic thought. Among the principal themes are: the conflict between truth and discourse (rhetoric); the social construction of reality, including the forms taken by the term; the importance of the hermeneutic circle problem; the nature and limits of realism and idealism; and that Post Modernism does not deny reality but urges that definitions of reality are matters of choice. Thus I cover in some detail, but still in outline form, such topics as epistemology, including modern philosophy of science; discourse analysis; and the social construction of reality. I again affirm credentialist epistemology, the analysis or deconstruction of language, eclecticism and agnosticism as to all the foregoing, and learning to live with radical indeterminacy, ambiguity and open-endedness, and the social construction of reality.

Because of my parallel interest in the fundamentals of the economic role of government, I also identify two false dichotomies, that between non-intervention/laissez faire and reform/legal change, and that between polity and economy, in both respects emphasising what I have called the legal-economic nexus (Samuels 1989) and the role of obfuscation of the role of public purpose (e.g., in determining, from among conflicting interests whose interest government is to protect as a right).

Also contained in these more recent notes is an overview of the history of value and price theory, which topic I usually presented in a lecture during my discussion of Classical economics; and some reiteration of themes covered in the earlier notes, pertaining to epistemology/philosophy of science, the nature of economic thought, and so on. I also included discussion of different approaches to “the market” (purely conceptual versus institutional). Also identified were certain problems of historiography including authorial intention versus reader interpretation; presentism; multiplicity; and so on, including the problem of primitive terms, discussed at length in Samuels 2001. Among the points affirmed were selective perception, the use of economics in regard to the problem of continuity versus change of the economic system, the problem of the foreclosure of the process of working things out, and so on.

From my point of view, my intention was to stretch the minds of the students and have them become sensitive to certain points. From someone else’s point of view, my intention may, even must, have seemed to advance a point of view. I would not challenge the latter view; indeed, the inevitability of a (chosen) point of view is at the heart of Post Modernism, whose message is neither that there is nothing “out there” nor that any choice is as good as any other, but that of the fact of the necessity of choice. Jim Buchanan has publicly said that I am “subversive” because I
refuse to adopt his or any moral point of view as the basis for describing the political economy (I responded that he has self-consciously adopted the “high-priest” role). I have a place for moral, and legal, rules in my general model but prefer as objective and as open an approach as is possible, and not to adopt one system or another. As to how much is possible and how much I have achieved along these lines, I am schizophrenic.

The only remaining major substantive matter of a historiographical sort is what I have called the matrix approach to multiplicity. Consider, say, five co-existing schools of economic thought, A, B, C, D, and E. Assume that three versions of each are held, say, A1, A2 and A3, et sequence. Furthermore, we have A3’s view of A plus C2’s view of A, and so on, in short, each school’s multiple views of itself and of each other. I would urge that it is not conclusive that A has the “correct” view of A, et sequence; D1, for example, may have a more meaningful view of A. At any rate, we have a matrix formed by each school’s multiple views of itself and of each other. I suggest that instead of being preoccupied with the need for some privileged, a priori view of each school, the matrix of all views of itself and of each other may provide a deeper sense of the issues with respect to which the five schools and the multiple versions of each take positions. One way of testing the students’ mastery of this is a question like, “Assume you are Marx and have agreed to write an introduction to the collected works of the Austrian School. What would you say?”

3. TEACHING THE HISTORY OF ECONOMIC THOUGHT: WHAT AND HOW I TAUGHT

3.1 Ancient Civilizations

I began with the economic thought of the ancient pre-Greek civilizations, starting with a comparison of the emergence of economic theory (as we know it) around the 17th century with the situation in ancient times. The emergence is said to result from a combination of changes in society and in thinking. These changes are identified as centering on secularism, rationalism, nationalism, individualism, materialism, the spread of policy consciousness (hence wider emphasis on policy and choice rather than belief or pretended belief in the essential fixity of social arrangements; i.e., the social construction of reality), the growth of differentiated economic and political institutions (yet within the legal-economic nexus), greater division of power in society (or, alternatively, restructuring of concentrated power), decline of religious and political absolutism, and the rise of learning;—all still enmeshed in fundamental social processes. Eighteenth century naturalism is said to have been for many a “step down” from supernaturalism, yet with continued reassurance of an object of study, and with naturalism used for social control and political argument. The ancient
civilizations, in contrast, seem to have been highly organised and ordered societies, with rigid class stratification and a theocratic monarchy, priesthood, and ruling class. Yet they exhibited power struggles, including conflict between classes (rich versus poor); between important narrower groups in each society; over the burdens of war, taxes, and tax farming; and over secularisation (ultimately over power structure).

The mode of thinking of these ancient civilisations, I stress, was mythopoeic: analysis conducted and/or expressed through the making of societal myths. Theirs was a metaphysical style of thinking: religious, mystical, magical, animistic, anthropomorphic, and so on.

Yet, I argue, there was considerable economic development of and inter-cultural contact among these civilizations. They had established trade routes over vast distances, canal systems, and great trading houses, and they conducted international relations in matters of trade as well as political diplomacy. Even absent much international trade, domestic retail trade existed in large urban centres, abetted by banks and a financial system, and the development of a middle class. Altogether they were complex economies.

The foregoing, I point out, is known by a variety of legal documents, such as contracts, receipts and deeds of purchase and sale and of hire and lease; partnerships, and loans at interest. Bablyonia, Assyria and the Hittite Empire had highly developed and organized, if different, systems of property rights.

These civilizations were neither static nor unchanging; they manifest long and continuous transformation—just as was to be the case in the Middle Ages, notwithstanding the dominant belief system affirming continuity.

I suggest that it takes little imagination to sense that the participants in business, trade and politics had ideas regarding their conduct. But, while there was scattered treatment of practical, commercial and moral subjects—money, trade, interest, inheritance and poverty—no well-organised body of consistent and integrated principles seems to have existed. There was no economic theory as we have primarily come to know it—or at least no evidence of any.

But there was a body of economic theory; if not of a pure theory of resource allocation (though that is not to say that traders did not seek to “maximise” their gains in some sense important to them), then of a theory of the organisation and control of the economy. Much of it was subsumed and subordinated under religious and political thought, but attention was given to forming rules of conduct for the household and to topics of class structure, interpersonal conflicts of interest and their resolution, the superimposition of moral rules, and private property and its place in the social structure, i.e., to problems of economic organisation, rights, exploitation, and so on. I illustrate some of the foregoing with a lengthy
excerpt from the Egyptian “Book of the Dead” which indicates the economic objects of moral and religious control. I also identify the conflicts between freedom and control, between hierarchy and equality, and between continuity and change. Some of this conflict is underscored by quoting the Sumerian proverb, “Not all the households of the poor are equally submissive”, which I compare to the statement by a Chicago organiser of the poor, “Reconciliation is when you get power and the other guy gets reconciled to it”.

Problems of the conflict of continuity and change, manifesting diverse postures, laden with metaphysics, theology and class interest, are illustrated by quotations from Ipuwer, an Egyptian messianic prophet, and from the Old Testament. The latter juxtaposes positions on change vis-à-vis continuity given in Ecclesiastes, Samuel, and Isaiah. Much, asymptotic to all, of the relevant literature, I suggest, is declarative and not analytical; religious documents function to prevent challenges to the status quo but also as vehicles for change and reform-a basic conflict in the history of religion and its uses as well as in the history of economics.

Part of my focus is on the problem of organisation and control; another part is on the psychology of belief expressed through mythopoeic literature, to which I will shortly return. Implicitly fundamental to the organisation and control, and articulated more or less obliquely in the mythopoeity, is a theme that, I have since been reminded, was neatly expressed by Abba Lerner. Lerner wrote that economic transactions take place within solved political problems (Lerner 1972, p. 259). My theme, about the thrust of my own work in law and economics, expressed by Richard Sturn is that “what Lerner calls ‘political problems’ are never ever ‘solved’ once and for all” (Sturn 2004, p. 328; italics in Sturn). It is, in part, by assuming that political problems-problems of rights-are solved once and for all that 20th century mainstream neoclassical economics can adopt the research protocol requiring unique determinate optimal equilibrium solutions.

I have gone into ancient thought in somewhat more detail than in what follows, for two reasons: because ancient thought is either unknown or unappreciated by some historians of economic thought, and to set the stage, through juxtaposition, for some of what follows.

3.2 Greek and Roman Economic Thought

I have initially identified the ancient literature as mythopoeic. It reflected a mentality, a psychology of belief that relied on superstition, belief in the control of nature through magic and incantations; in short, a polytheistic supernaturalism laden with a belief in the omnipotence of words. Its mode of explanation was myth making. The universe was seen to be comprised of
cosmic wills, their meeting and conflicts, and the actions and ensuing reactions. One could argue that myth making involves no independent, rational thought, no distinction between science by any definition or fantasy, no felt need to isolate reason as an independent faculty or to prevent imagination, hope and fear from veiling the intellect. On the other hand, one could argue that myth making was an early form of development of reason, of a critical mind, and of an analytical interpretation.

In the work of the great Greek philosophers, in contrast, myth does not disappear; one could say either that it is present but becomes superfluous or that myth attains in them its highest level of sophistication. But alongside myth, philosophical (= scientific) thought progressively developed, increasingly becoming independent at many points—facilitated by the development of epistemology and logic as well as by empirical study.

I illustrate the foregoing and more through the major relative ideas and works of Hesiod, Plato and Aristotle, and Xenophon. Hesiod’s Works and Days (Ode to Work) is perhaps the sole major known economic treatise of the ancient world. It resembles an almanac in its promotion of honest labour, providing hints and rules for all sorts of rural and nautical pursuits. It conducts an analysis of poverty and how to overcome it. It considers group justice, the force and limits of competition, and so on. It is the simple economics of a simple economy, it is analysis and description and prescription combined, and it is couched in terms of deified forces and seasons.

My discussion of Plato and Aristotle covers what I call their political economy, their technical economic thought, and their fundamental contributions to what Frank Knight called the theory of knowledge in relation to social action. By the latter I mean Plato’s idealism and Aristotle’s realism insofar as they posit two different approaches to reality and likewise to reform. I suggest that their conflict resonates throughout the entire history of economic thought.

Under the heading of political economy I consider what they wrote about justice, virtue, and the organisation of the state. The economics on which I lectured covered such topics as city-state self-sufficiency, division of labour, property, money, demand, exchange, interest, value/price theory, population, communism and so on. Special attention is given to the problem of the multiple interpretations that have been given to the shoemaker-farmer reciprocity statement in Aristotle’s Nicomachean Ethics.

Finally I discuss Xenophon’s Oeconomicus and Revenue of Athens. The former is something of an echo of Hesiod’s Works and Days but with more technical analysis. The latter is a minor Wealth of Nations. The objective is how to increase government revenue and simultaneously the prosperity of the people, a straightforward means-end analysis. Included are both an embryonic supply and demand theory of price, one perhaps not
improved upon during the entire Roman period, and an example of the continued use of myth, namely, seeking at Dodona and Delphi divine aid and protection for the policies.

I emphasize that the Greek writers dealt with some or many of the standard or generic topics of modern economic theory of resource allocation and also, and especially, with various aspects of the problem of the organisation and control of the economic system.

As for the Roman period, I indicate that no contribution to standard modern economic theory seems to have been made, though they probably had a decent understanding of the division of labour. Also pointed out are the great struggles and eloquent writings about the distribution of landed property and therefore of power; efforts at land reform also constituted reform of government. In noting Roman law and considerations of justice, individualization of private property, and general negativism regarding interest charges, I also acknowledge how the Roman examples indicate, as a major thread of the theory of economic policy, the conflicts between those who have their interests secured and enhanced, as rights, and those who have little but formal security (and possibly little of that) secured by law. The work of the agricultural writers is also mentioned.

### 3.3 Scholastic Economic Thought

I first indicate the character of Medieval Scholastic-Roman Catholic-economic thought, namely the application of its theological value system and definition of the world to provide not so much a body of descriptive and/or analytical thought but a system of values to superimpose on economic life in general and economic problem-solving in particular. I note the Church’s concern with problems of social organisation and order; Thomism as absolutist legitimization of a theological optimum; Scholastic thought providing, to this day, a reasonably complete and viable framework for the working out of policy (I do not say unequivocal); that all of the foregoing derives from an institution of social control in the form of a highly organized church (itself a political institution, characterized internally by, and participating externally in, power play); and that the foregoing also suggests both the inevitability of systemic values in any body of theory and the inconclusiveness of any such value system.

I cover four substantive topics. The first is the economic problem of the Scholastics: the subordination of economic activity to a religious quest for salvation and religiously prescribed and proscribed behaviour (such as covetous behaviour) by a church concerned with maintaining traditional social organisation so long as it was congenial to the goals of the leaders of the church. The second is the just price. Here I review the principal literature and something of the apparent historical development of the
doctrine. The third is the theory of private property and the fourth is usury. In each case I give an overview of the history of the doctrine. I conclude the latter with an analysis of Canon Law on interest on loans.

Finally I summarize two critiques of modern economic society-capitalism as a civilization, that of the Catholic historian Christopher Dawson and that of the Protestant physician and philosopher Albert Schweitzer.

3.4 The Protestant Ethic

As prelude, I review the findings of Edward P. Cheyney in *The Dawn of a New Era: 1250-1453* (1936). Cheyney explores the expansion of trade and increase of wealth, the rise of the middle class and the beginnings of representative government, the decline of the Church and the spread of “heresy”, the openings of Europe to the East, and so on. He also spells out the increased monetization of life consequent to the entry into Europe of the precious metals from the New World, the breakdown of feudal institutions, and the reform movement within the Church. Here are the stirrings of the modern economy and polity.

The Protestant Ethic is presented in juxtaposition to the doctrines of the Roman Catholic Church, largely in the form given by Calvin but with attention to major interpretive differences among the Protestant denominations and the issues to which they relate (such as the relative place of God and man, determinism versus free will), as well as the different ideological uses of versions of the Ethic (such as providing support for inequality).

The Protestant Ethic is presented as one phase of the secularization of life and belief system (cosmology), a phase which interacts with the other phases, such as nationalism and the rise of the modern state, modern science and technology, the personalization and increased this-worldly orientation of religion, individualism, economic activity (materialism) clearly differentiated from and increasingly ascendant over non-economic activity, and rationalism in the sense of conscious attention if not devotion to the ends-means affairs of problems of this world, i.e., policy consciousness and direct confrontation with problems of choice, control and change.

The significance of the Protestant Ethic is presented as spiritual approval of (1) preoccupation with material success in the present world, (2) accumulation of wealth, and (3) work. The work of David C. McClelland is cited in support of the interpretive theme of a created need for achievement satisfied by the values embraced by the Ethic. I raise the problem of whether the Protestant Ethic is cause or consequence, or both,
of capitalism. Attention is given to the work of Max Weber, Warner Sombart, R. H. Tawney and H. M. Robertson.

3.5 Mercantilism

I attempt to accomplish a number of things with Mercantilism that I consider important and opportune. (1) To identify the important interpretive problems that arise in the study of Mercantilism. These include the problems of defining Mercantilism, whether Mercantilism was a coherent intellectual system or an ad hoc set of practical policies, how the facts of a complex system such as Mercantilism can submit to different orderings, how to discern different types of Mercantilism, how a theoretical system—including those intended to make sense of the facts—can be taken for the reality itself, difficulties in generalizing from doctrine and from practice, whether doctrine was analysis or propaganda, difficulties in establishing the importance of a favourable balance of trade to Mercantilism, power versus plenty or both as the goal of Mercantilism, the nature of the economic reasoning used by Mercantilist writers, economic versus political interpretations of Mercantilism, the significance of the Mercantilist period for the concomitant development of a seemingly differentiated and interacting economy and polity, and whether the “idea of Mercantilism” accurately characterizes the period, and if so, what, precisely is “the idea of Mercantilism”? (2) The analysis of Mercantilism as a system of policy enables consideration of the principle that government is an instrument or tool available for the use of any group that can acquire control over it, consideration of the inevitable legal foundations of any modern economic system, how many (changing) factors influenced Mercantilism in varying degrees and combinations at different times and places, how Mercantilism was never systematic in either doctrine or policy—and practiced with considerable variety of practice and theory, whether Mercantilism is a system of thought or a system of policy, whether Mercantilism was indeed a system, or only unsystematically practiced, the factors operative in the genesis of Mercantilist thought and policy, and so on.

Two different formulations of the central tenet of Mercantilism are examined. According to one, Mercantilism is a system of national self-sufficiency at low resource cost in order to maximize the favourable balance of payments. According to the other, Mercantilism is a system for maximizing the absolute monarch’s tax base through a comparable set of techniques. One is obviously economic in nature and the other, political; in practice the two converged.

As economic thought, Mercantilism seems to have been more rationalization than knowledge but Mercantilist writers did develop chains
of reasoning in support of their policies. Simultaneously the Mercantilists made a number of important discoveries, e.g., the specie-flow model, the nature and consequences of a favourable balance of trade, the analysis of monetary flows, and so on, using them for their own purposes.

In order to further explore the nuances of variegated interpretation, I summarize, interpret and critique the interpretations of Mercantilism given by Adam Smith, Gustav Schmoller, William Cunningham, Eli Heckscher, and Jacob Viner. I use the comparison of one published extract with the original text to show how the extract emphasized state making whereas the original text emphasized both state making and national-economy making.

I then engage in a detailed examination of the significance and critique of Mercantilism, focusing on the variety of evaluations to be found in the literature.

Much of the foregoing is examined in such a way as to make the student sensitive to multiplicity and the matrix approach to multiplicity as a strategy of analysis.

### 3.6 Pre-classical Writers

An inevitable characteristic of any history of economic thought course is the enormous number of economists who cannot be covered, primarily because of time constraints but also because of the limits and unevenness of any lecturer’s knowledge, the ineluctable result being something of a caricature. This is particularly true of the two centuries or so prior to the publication in 1776 of the *Wealth of Nations* (and the problem increasingly worsens thereafter). This period is of distinct importance because in it the foundations of the modern discipline of economics were incrementally worked out. Some picture of what went on must be given to the student, even if it (and so much else) reflects the interests of the lecturer. In addition to the Physiocrats, taken up in the next subsection, I have typically lectured on Sir William Petty, John Locke, Bernard Mandeville, and Richard Cantillon for reasons now to be indicated.

Petty is important for his empiricism, especially his insistence on “number, weight, and measure”, his overt, secular approach to religion as social control and psychic balm, and his economic theory. The latter includes emphases on the division of labour, a labour theory of value, and a distribution theory centering on rent, all notwithstanding his being an imperialist Mercantilist.

Locke is presented as, along with Smith, one of the two major philosophers of modern western civilization. More specifically, he is important for his empiricism; his philosophy of middle class-dominated parliamentary government; his emphasis on the psychological foundations of social analysis, utilitarian social philosophy, the labour theory of value,
Mercantilist policies, quantity theory of money, and, most important of all, his theory of property and government. I lecture at length on his theories of property, the relation of property to government, the nature and limits of legislative power, and the right to rebel.

Mandeville is presented for his psychological approach to the individual, his utilitarian ethics, and his private vices-public benefits argument, a controversial precursor to Smith’s, while advocating Mercantilism (so much so as to include the utility-of-poverty doctrine). The principal use of Mandeville is to consider how three able and perceptive authors could have such different interpretations of Mandeville’s theory of economic policy: Friedrich von Hayek portraying him as an individualist; Jacob Viner, as a Mercantilist and general interventionist; and Alfred Chalk, as a transitional author. The intended result is greater student sensitivity to the market plus framework approach to theory of economic policy, with its attention to legal and non-legal social control, the problem of a static versus dynamic framework, and so on.

If consideration of Mandeville and Locke compels the student to face certain legal-economic fundamentals typically ignored or taken for granted by economists, the study of Cantillon compels the student to appreciate a pure-theory model of the economic system by a man called by William Stanley Jevons “the first economist” and by Joseph J. Spengler the “principal forerunner of both the classical and neoclassical schools”. I outline Cantillon’s brilliant, comprehensive general model of the market economy, his theory of value and of distribution, his concern about over-population, and his brilliant monetary theory devoted in part in support of his Mercantilism.

3.7 Physiocracy

The Physiocrats have an ambivalent status in the history of economic thought. To some, they manifest incisive genius, the creation of a huge theoretical corpus, and are the founders of the discipline. To others, they are a sideshow, the producers of interest-group propaganda. Smith voiced both enormous compliments and deep criticisms. Their focus on an ostensibly natural system is combined with the identification of potential if not actual serious problems. For my purposes, they are very instructive with regard to the economic role of government in their system.

The Physiocrats emphasized material productivity, but neither gold and silver nor manufacturing, which they considered sterile. Only agriculture is productive in the sense of producing a surplus beyond the cost of its inputs. All this is in the context of a fundamental general equilibrium theory giving effect to general interdependence and circular flow, but also instability. Their Tableau Economique illustrated the
interdependence and its results, and was premised on the sole productivity of agriculture, circular flow, and class structure.

The Physiocrats were opposed to the ancient regime with such remnants of feudalism and political history as Colbertist Mercantilism, the use by the monarch of the state treasury for sordid political purposes and by private interests for their own advantage, the internal protection system, and the disunity and confusion consequent to the enormous diversity of laws operative in France.

The grand design advanced by François Quesnay cantered on the creation of an agricultural kingdom organized by rich farmers into large-scale farms operated along capital-intensive lines and business principles. The so-called single tax was predicated upon and thus gave effect to the doctrine of the sole productivity of agriculture. Their reasoning was that all taxes would ultimately be paid out of the surplus, so it would be more efficient and less costly to tax land directly.

The Physiocrats advanced these ideas as the rule of nature and thus the natural order of things; with them in place government could follow a program of laissez faire. No proof was offered of the sole productivity of agriculture or the sterility of manufacturing; both were simply a priori premises. Laissez faire, however, was a highly misleading concept with which to describe and prescribe/proscribe the economic role of government (see below). Of course, the Physiocrats envisioned themselves as the tutelary authority, the power behind the throne, the group whose ideas would channel economic policy.

Quesnay developed a complex model of economic development and prosperity. It cantered on the *bon prix*, the good, high price of agricultural commodities, and the proper level and pattern of spending. Should deficiencies occur in the *bon prix* and/or the level and structure of spending, the possible if not likely result was instability.

All the foregoing was part of the heritage of economics available to Smith, especially the Physiocrats’ emphasis on the importance of various types of investment in agriculture. Although they did discuss aspects of value theory, they had relatively little interest in value/price theory, and arguably indeed made no lasting and meaningful contribution to that theory. More attention was given, however, to distribution theory, where, especially in the writings of A.R.J. Turgot, their attention to market processes influenced the theories they adopted to explain the two major types of payment, rent and wages.

As with the ideas of other authors, such as Mandeville, one of my principal objectives was to use the analysis of the Physiocrats’ laissez faire to render the mentalities of my students more sensitive to what the economic role of government is all about. Although the still-conventional view of the Physiocrats maintains that they were believers in laissez faire,
my view is that their system, examined at arm’s length, incorporates a much more fundamental and elaborate set of roles for government than the ideology of laissez faire can reveal. Remembering that their conceptions of justice, liberty and equality took place in the context of a society structured into classes, the Physiocrats would have used government (1) to protect person and property, within a hierarchic society, but also to reform, when needed, the law of property; (2) to provide welfare programs for remedial relief; (3) for social reconstruction to create agricultural kingdom along Physiocratic lines; (4) for economic development, including promotion of adequate resources to agriculture; and (5) for economic stability, by controlling the pattern and level of spending and leakages from the spending flow.

In retrospect, the Physiocratic program amounts to the substitution of its activist agenda for that of various forms of Mercantilism. It also is comparable, as to the importance and ubiquity of government, to the use of government in the United States during the 18th, 19th and 20th centuries transforming the economy from a rural, agricultural, landed-property system to an urban, industrial and commercial, non-landed property system, eventually to a corporate system. Physiocracy involves theory and analysis in the service of an interest group, a theory of socio-economic organisation and reform, and a position on who should use government for what purpose. Given the language they used, the opportunity and necessity of its deconstructing is manifest; one must inquire, “What did it all amount to?”, rather than take their words at face value.

3.8 Prelude to Adam Smith

My purpose here is, first, to situate Smith in some of the preceding relevant literature not already covered and, second, to relate Smith specifically to his mentor Francis Hutcheson, an important figure in his own right. I then get ahead of our subject-matter and present the students with some of the results of my project on the use of the concept of the invisible hand.

I first summarize the major themes of Milton Myers’s *The Soul of Modern Economic Man* (1983) and some other relevant historical and interpretive literature. The problem addressed by Myers is the history of different views of the relation of self-interest and the social welfare, with regard to providing a definition of reality, an operative principle of order, and, eventually, a major premise of modern economics. Prior to Smith the principle centered on variations of the theme of self-interest serving the ends of society through the design of order and of the moral sense implanted in the human mind. Order in nature had its parallel in society. Among the contributors to this approach were Richard Cumberland, the 3rd Earl of Shaftesbury (Anthony Ashley Cooper), Joseph Butler, Alexander
Pope, Francis Hutcheson, Lord Bolingbroke, and Soame Jenyns. The next step, taken by William Derham and John Maxwell, has self-interest serving the social welfare through the division of labour. In Myers’s view, the theory of modern economic man is that self-interest is equated with social welfare not through the division of labour per se but through exchange, and arises in the work of James Harris, a nephew of Shaftesbury. The division of labour gives rise to exchange but it is exchange that does the work, although Joseph Priestley assigns, *inter alia*, to the division of labour the socialization of self-interest.

One intended benefit of this particular discussion is sensitivity to gradual changes in the working out of a doctrine or principle.

Other writers have approached much the same literature in terms of the interaction of passions and interests. And then there is the problem, constituting a major element in my study of the invisible hand, that whereas for some people the invisible hand is self-interest, for others self-interest is what the invisible hand must control. Still another problem is that exchange is widely contemplated in terms of Pareto optimality (exhausting the gains from trade), which involves not self-interest in harmonious relation to social welfare but a harmony among self-interests.

In Francis Hutcheson the student sees an empiricist, a believer in the psychological foundations of human behaviour, the theory of benevolence and the principles of approbation and disapprobation, and emphasis on such technical matters as value in use differentiated from value in exchange, the origin of capital in saving, the division of labour, and the labour theory of value.

The well-read student will recognize that certain very important figures are not even mentioned, including Ibn Khaldun (14th century) and Giambattista Vico (18th century), not to omit David Hume (18th century). (I occasionally did discuss David Hume briefly in class). But if gradual development of doctrine and theory is one characteristic of the period before Smith (as it is also afterward), the growing vastness of the numbers of those writing on economic topics is another characteristic.

By now, the student should see something of the climate of thought and what had been achieved by, say, 1770. This occasions consideration of William Letwin’s discussion of whether Smith’s *Wealth of Nations* was his creation or his systematization, showing how complex and how subtle are the considerations bearing on these matters.

To prepare the students for the study of Smith, to consider a matter important in its own right, and to give the students additional exposure to the problem of multiplicity, I present some conclusions from my study of the use of the concept of the invisible hand. I first introduce Smith’s three uses of the invisible hand and some of the interpretive problems that immediately arise, especially with regard to the *Wealth of Nations*. Next I
address the questions, what is the invisible hand? And what does the invisible hand do or signify? I present a sample of the almost four dozen identifications found in the literature, and point out interpretive problems with several of them, including multiplicity of specification, and conflicts between some of them. I then present the dozen or so functions that have been attributed to the invisible hand and again indicate interpretive problems. I then explore the sources of multiplicity; conceptual ramifications and complications, and substantive complications. These include Smith’s multiple paradigms; the influence of the Enlightenment; the nature and role of mythological, symbolic, ideological, and socio-linguistic systems; the status of the invisible hand as a figure of speech; the problem of the “social”; the problems of self-interest and rationality; and so on. I introduce certain aspects of Smith’s theory of knowledge, from his History of Astronomy, typically without going into either detail or the problem of its meaning and importance, as I now would do. Lastly, I state several of my conclusions as to the use, meaningfulness, and role of the concept.

3.9 Adam Smith

I begin with the Wealth of Nations, taking up first its grand theme: that, given wealth understood in terms of material production ultimately destined for consumption, the growth of wealth is occasioned by the division of labour, itself conditioned on the wide extent of the market, the use of money, capital accumulation, and domestic and foreign freedom of commercial endeavor. These matters are examined closely, due to their fundamental importance for Smith. Next, I explore the meaning of Smith’s term “the simple and obvious system of natural liberty”, in part as the first step in considering Smith’s approach to the economic role of government, with the material coming from both the Wealth of Nations and the Lectures on Jurisprudence. I then explore Smith’s theories of competition; income and wealth; capital; and value theory, i.e., real and nominal price, and natural and market price, and labour theory(ies) of value.

It is at this point that I pause to digress on a survey of the general development of value theory down to the present. Inter alia, I discuss the different approaches to value theory and to price theory, the conflict between value and price, and so on.

I next take up Smith’s distribution theory, specifically his theories of wages, rent and profits.

Having completed Smith’s technical economics, I turn first to Smith’s tripartite system: moral rules, legal rules, and the market. Here I explain another principal source of interpretive conflicts. My main concerns are the formation and relevance of moral and legal rules. This enables me to put
“Das Adam Smith Problem” in perspective and also, and especially, to expand upon certain aspects of social control that go beyond what Smith says about the three functions of government in the *Wealth of Nations*. In order to avoid duplication of presentation, certain other aspects of these ideas are deferred to my discussion on the theory of economic policy of the Classical economists as a group. (The Physiocrats get several more paragraphs here than Smith, though we probably spent twice as much time on Smith, working through the main aspects of his *Theory of Moral Sentiments* and *Wealth of Nations*).

### 3.10 Classical Political Economy

I begin with three introductory topics (though I sometimes defer the third). First, I identify the Classical economists’ Platonic and Aristotelian characteristics: Aristotelian insofar as they were seeking to explain the economic system as it then existed; and Platonic, inasmuch as they generally accepted the economic system as it then existed but sought to use government to move the system further along the market-system path already commenced. Their theories were essentially long run in nature; insofar as they sought to reform the system, their theories were more or less closely related to the institutional framework. Secondly, I outline the fundamental elements of Classical theory: the premises: population law, diminishing returns, labour theory of value, and Say’s law; and the inferences: iron law of wages, wages fund doctrine, theory of inherent conflict, Ricardian rent, law of falling rate of profit; to which one may add the quantity theory of money, the specie flow mechanism, and the theory of international trade. Thirdly, I indicate that the central problems of Classical economics were, first, long term distribution and, second, growth, each conducted in such a way as to render support for their policies, e.g., repeal of the Corn Laws, and free trade generally. Fourthly, I present an approach to Classical economic theory derived in large part from work done by Robert V. Eagly, to wit, classical economic theory as a paradigm founded on the concept of capital. The material has the following steps:

1. The accumulation of capital, with saving as the origin of capital.
2. The deployment of capital, implying an organisation not of but, antecedently, of production.
3. The production of commodities by means of commodities:
   a. Output as a function of capital.
   b. The capital stock necessarily on hand prior to production.
4. Decisions allocating the total capital stock between uses as the critical problem:
   a. Allocation between fixed and circulating capital.
   b. Wages fund approach to wage-rate determination, hence allocation between saving and other uses.
   c. Role of the capitalist class in providing means of subsistence to the working class, through decisions allocating capital between fixed and circulating capital.
   d. Say’s law as device to assure no danger to capital stock (unsold goods would lead to reduction in capital stock).

In contrast, the neoclassical paradigm is founded on the centrality of price governing resource allocation and of income distribution being a function of resource allocation forces (factor pricing).

Coming to Ricardo’s theories, I begin with an extended analysis of his theory of value, staying very close to his text. Inasmuch as Ricardo’s theory of value has been given various interpretations (the one just given is that of the relative labour theory of value), I indicate several alternative interpretations, especially that of Piero Sraffa, covering (a) the causes governing income distribution, (b) price as a reflection of value, (c) the invariance of real price to income distribution, i.e., price as a function of distribution, and (d) the perceived need for an invariable measure of value.

The foregoing is fitted into the overview of value and price theory, encompassing labour embodied, labour command, and labour as a measure of exchange value; value theory in relation to price theory; conflicting theories of value; value versus price; conflicting theories of price.

I next consider Thomas Robert Malthus’s theory of population and his theory of market gluts—the origins, content, and significance of each. I then take up in some detail Ricardo’s and Malthus’s theory of rent (indicating, for example, how each added additional premises so as to reach opposite positions on repeal of the Corn Laws); and Ricardo’s theories of wages and profits. I then turn to Ricardo’s long-run distribution theory, his analyses of the introduction of machinery, international trade theory, and the quantity theory of money.

Next comes Say’s Law of the Market. My discussion has five steps: (1) varying formulations of the law; (2) the effective assumptions of the law; (3) analysis and critique of the assumptions; (4) the inferences of Say’s law and their critique; and (5) the history of Say’s Law.

The final individual from the Classical period is Jeremy Bentham. I first identify Bentham’s four contributions to economics (often combining the first two): methodological individualism; utilitarian rationality; the Greatest Happiness Principle; and the confidence that economic science could be erected on philosophical foundations. Next I compare Smith’s and
Bentham’s respective understandings of “economic man”. I then go into detail on Bentham’s utilitarianism: his felicific calculus and Greatest Happiness Principle. Apropos of the Greatest Happiness Principle I call attention to the problem of maximizing along the intensive or the extensive margins, the formation of a Benthamite Left and Benthamite Right, and a parallel conflict between a Ricardian Right and a Ricardian Left. I conclude my discussion of Bentham with the problem of how Bentham could have been the father of both British individualism and British collectivism: individualism, through calling for the significant extension of the right to vote, and collectivism, when most people acquired the right to vote, they voted the Welfare and Regulatory State, and such programs were given the disparaging name of collectivism, whereas one could argue that government was doing the same thing as before with property rights, namely, protecting interests—now of a wider group of people.

I conclude with the Classical theory of economic policy, bringing together relevant themes from my lectures on Smith and Bentham and adding to them. I stress, along with Lionel Robbins, the market-plus-framework approach to the economic role of government, also including moral rules, a created rather than a automatic harmony, the problem of legal change as that of changing the framework, resource allocation through markets, a philosophy of pluralistic capitalism, a pragmatic approach to working things out, and so on, but not laissez-faire, except as a sentiment and linguistic device with which to mobilize and manipulate political psychology.

3.11 English and German Conservatism-Romanticism

The Enlightenment, liberal democratic society, and the market system were not to everyone’s liking. I next took up the moral critics of Classical economics, the English and German conservative, romantic writers of the late 18th and early 19th centuries. I covered Edmund Burke, Thomas Carlyle, G.F.W. Hegel, Johann Gottlieb Fichte, and Adam Muller; and along a somewhat different line, Friedrich List. All of these figures, especially Burke, were complex thinkers and must be studied with subtlety.

In general, the Romantics presented an idealized picture of medieval and post-feudal life and a quite negative one of life under industrial capitalism. They defended the old social order against the challenge of the new one. They envisioned the middle-class, market economy as a regime of caprice, base wants, and contemptible self-interest. They manipulated the sentiments of folk ideology, nationalism, past glories, and so on. They glorified the state and war, and considered liberty as submission to the state conceptualized as a mystic entity. Theirs was typically the world view and policy schema of the absolute state and landed aristocracy. They preferred
the old system of rights and duties, and fought the introduction of a system characterized by the cash nexus, materialism, and alienation from the sacred past. All this was their contribution to the conflict between pre-modernist civic virtue and hierarchy and commercial society (and its own form of hierarchy), a conflict between rival meanings of humanism, rival conceptions of social order and rival principles of authority. Romanticism was but one of several reactions to the new form of western society and to the school-Classical economics—which sought to both explicate and legitimate it. Anarchism, socialism, historicism, and Austrian economics, not to omit neoclassical and institutional economics, were all reactions, as it were, to those developments. Not all of the listed individuals had identical views; Burke and List were more transitional figures (one coming early and the other late), which explains the complexities and subtleties of their positions.

3.12 The Situation in the Second Quarter of the 19th Century

At this point I lectured on an important topic, the situation in the second quarter of the 19th century, the situation that helps explain the anarchist and socialist movements which largely got their start at that time.

Socialism was more than egalitarianism and/or a class movement of the industrial proletariat or working class, certainly no more so than the middle class had been in its efforts to transform government and economy in their interest. Socialists and many anarchists took seriously the stated ideals of the middle class, whether or not associated with those of the French Revolution. But they sensed commercial and industrial society as enabling, through a revised and uncontrolled system of private property, a social order in the hands of a minority of wealthy proprietors, the owners of capital. The critics opposed special privilege based on wealth, much as the bourgeoisie had been opposed to special privilege based on birth. They saw the non-landed proprietied sharing the powers of governance with the landed proprietied, the latter still pursuing a rear-guard strategy, while gradually uniting with the middle class to oppose the comparable claims of the non-propertied. The socialists and many anarchists sought a fundamental reappraisal of political democracy (such as it was) and economic liberalism (such as it was, too) as well as a society based on private property, insofar as most members of society had an unequal opportunity to become property owners, in part because the already-propertied controlled and used government to enhance their positions. The hitherto revolutionary middle class, who had seemed to include all people in their claims against their aristocratic rulers, now that they were ensconced in power were now fighting to conserve the new status quo against new challenges from below, using force when they must, hoping
that fraud-pious platitudes of self-help and equality of opportunity—would suffice.

The socialists, and the anarchists, too, had several problems, problems that were more than interpretive; they were also practical, as they affected the goals and behaviour of their movement(s). They had either to accept industrialism as an irreversible process, or reject it. They had either to reject the modern state, or capture it. They had either to accept political liberalism (personal freedom) as a both a value and a limitation on political action, or reject it. They had, in time, to decide how they viewed the newly developing labour movement: was it to be revolutionary, whose goals were to upset the existing social order, or “business” unionism, primarily attending to wages, hours and working conditions? Moreover, not all anarchists were opposed to private property; they condemned only the existing system. Saying so only hints at the enormous variations in doctrine, ends and practice to be found in these movements.

3.13 Utopian Economic Thought

Utopian writings date at least to ancient Greece, notably Plato’s *Republic*. The genre blossomed, however, with the beginnings of modernity, say, the 16th and 17th centuries, and grew to enormous proportions in the 19th century. My lectures developed several themes (more elaborately presented in Samuels 2003): Utopist literature has been part of the social value-articulation process, offering either selective defences or, more likely, selective critiques of the status quo either as it was received or as it was developing. As such it has been an important vehicle for expressing views for or against selective socio-politico-economic change. A utopia is a good place that is, as yet, no place; a dystopia is the reverse. Utopian literature is fictional, descriptive of a particular state or community, and gives primary attention to social and political structure, or the distribution of power, therein. “Descriptive” means attention to details, including startling arrangements projected as keys to success. The utopian community was typically an extension of the author’s own country, reflecting its problems, trends, and conflicts. A heterogeneous society and a diversity of perspectives from which to view that society, enable divergent utopias to be derived from within a given society. If utopianism is Platonist idealism in action, so to speak, then a given society can give rise to different idealizations. All utopias are erected on some central principle of organisation and control; among the types are religion, natural science, military, economic, ascetic, and psychological conditioning.

I also summarized one or more works interpreting the chronological development of the utopist literature. Given that there are thousands of
works in this genre of fiction, only a relative few being reasonably well
known, it is difficult to generalize.

Some of the interpretive and evaluative themes I have presented
include: That human dignity in a well-ordered society is a main concern,
with both “human dignity” and “well-ordered society” being ambiguous
and allowing a variety of specification. That these authors posed certain
basic questions, such as the status of the status quo, the division of power,
the quality of life, the quality of the human beings produced by the social
system, the importance of the leadership-selection process, and, again,
articulation of values and the possibilities of social change.

A common criticism of this literature has been its ostensible unrealism
as to how much change is possible. One problem with this criticism is that
taking the last four hundred-plus years as our framework, the enormity of
actual technological, political, economic and cultural change in the North
Atlantic community has eclipsed that of any utopian novel. Another
problem is that the issue is not how much change is possible but the
opposite. Most of these writings posit static once and for all
reconstructions, with no provision for change. Their true utopian character
lies in their neglect of change, or of mechanisms of change, within their
respective proposed systems. A more ironic criticism is that life in a “true”
utopia would be dull—there would be no problems to solve.

3.14 Anarchism

The general layman’s view of anarchists is that they want to destroy
existing institutions, particularly but not only government, and are willing
to use violence to do so. In a world profuse with the use of violence,
destruction of the existing government and the capture of political or state
power may not be different concepts. I indicate that, at any rate, anarchism
seems to many to be a political and/or psychological response toward
authority and social control under the conditions of a seemingly
increasingly powerful and centralized state or other ruling institutions. But
antagonism toward concentrated power and its perceived abuses derives
also from the large-scale industrialized character of modern economies.
Given the idea of a legal-economic nexus, I suggest that it is not surprising
that anarchists oppose the mutually reinforcing concentrations of power,
perhaps especially when property ownership conveys powers of
governance.

One can analyse anarchism as a model or, more likely, a creed
comprised of a fusion of liberal and socialist doctrines—though I again
remind students that anarchism comes in a multiplicity of forms. Among
the liberalist features are enthusiasm for individual initiative, self-reliance
and self-development; economic criticisms of the state; and a notion of
spontaneous economic order. Among the socialist features are criticisms of class exploitation and domination, based on a hatred of private property.

Private property and capitalism are denigrated as man-made institutions sprouting injustice and evil. Condemning and warning of the Leviathan state, anarchists have advocated a society in which everyone was a property owner, with maximum self-government through participation in local community organisation, with resulting maximum individual freedom, without classes, and with only or predominantly local markets. This Jeffersonian ideal seems to have been negated not by ideas but by the development of national markets and of strong central governments as a result, as it were, of the merger solution to externalities.

Private property anarchism, so called, is a very different variant than the foregoing. Its advocates, I explain, while critical of the existing system of property, wanted to replace it with a system that prevents the concentration of ownership and the control of government by property-owning elites.

The historic reaction to anarchism, aside from the use of the police and criminal justice system in response to violence, has been to regard it as a threat to status quo institutions which both rulers and ruled have seen socialized to consider duly constituted authorities. The liberal state (anarchism opposed both absolutist dynastic regimes and liberal ones) was always as strong as it had to be; the state was conventionally used to prevent consolidations of social life antagonistic to the continuation of the existing system. Another response, to both anarchism and socialism, was democratic and pluralist social reform, in which the state was, more or less, responsive to the interests of the urban and rural working classes, at least enough to prevent revolution. With anarchism a function of political and psychological reactions to systemic concentrated power, the reaction of the status quo hierarchical elite was a mixture of tolerance and repression.

The typical anarchist seems to have considered anarchism the extreme antithesis to socialism, the latter extending the sphere of the state to embrace even more, perhaps all, of the important concerns of life. The anarchist sought to banish all forms of authority, create a system of perfect liberty, of extreme individualism; i.e., equality through liberty rather than through fraternity. Obscured in the encomia to anarchism and liberty was the system of social control it necessarily entailed. In any event, the typical socialist considered anarchism a naïve philosophy, for failing to comprehend what freedom and material well-being for all required.

Anarchists and socialists had much in common but also many differences, in matters of both belief and tactics. I presented a comparison of similarities and differences. This included a summary overview of what I think generally constituted economic theory in both anarchist and socialist thought. Included in this overview were: a labour theory of value; an
exploitation theory of property, power, state, distribution, and classes; an underconsumption theory of the business cycle; and a belief in the destructive character of competition and general materialism. People from both groups shared an emphasis on either a non-materialist society and culture or a limited materialism or a socially controlled and operated materialist order. As for the personal distribution of income, they tended to share an ethical mal-distribution theory the core of which was that income is distributed in such a way and with such a result as to be inconsistent with ethical ideas of justice, that poverty is inherently wrong and also morally offensive in the face of great wealth, especially greatly concentrated wealth, and that it was undemocratic and a misuse of state power to use law to further the concentration of income, wealth and opportunity among the upper classes. This argument, I suggested, turns on three points: whether the wrong people get the larger incomes, whether the process of distribution is wrong, and whether the shape of the resulting distribution is wrong.

For the purpose of comparison, I contrasted the foregoing with A. C. Pigou’s psychological mal-distribution theory, whose core is the transfer of income to the point that the marginal utility of the last dollar of income is equal throughout the economy. This assumes, first, that income will remain unchanged, or, if adversely affected, that the adverse effect is considered tolerable; second, that utility is measurable; and third, that individuals’ capacity to derive utility is equal or, if unequal, one is willing to allow inequality (and perhaps even transfers from some poor to some richer people). The critique centres on the propositions that interpersonal utility comparisons are impossible and unjustified, and that redistribution likely will decrease incentives, efficiency and output. The rebuttal centres on, first, the possibility of a social consensus; second, that incentives are a function of the environment and are learned; and, third, that justice is to be preferred over total income, at least at a margin.

3.15 The Meaning of Socialism

In order to place in perspective and make sense of the kaleidoscopic term “socialism”, I examine a number of definitions that have arisen in discussions by both socialists and their opponents. I explain the origins and reasons for the rejection of several, even though they do have historic meaning. The list includes: public ownership of the (major) means of production, government regulation of business, welfare-state programs, macroeconomic control of the economy, state subsidies to private enterprise, central planning, a stage in the Marxian schema, cooperative arrangements among small producers, and a Schumpeterian and/or Galbraithian corporate system. Take as an illustration “government
regulation of business”. Given that relative rights are a function of law, and regulation comprises a change in the structure of relative rights, for the latter to constitute “socialism” the absence of socialism must mean either there is no law or there is no change of law, neither of which is feasible; an economic system requires both law and opportunity to change the law. The definition of socialism that, it seems to me, constitutes the historic meaning of socialist movements and indeed comports with many of the other definitions, is broadening participation by the masses in both the economy and government, with economy and government conducted toward broader objectives than those of the wealthiest classes comprised of the landed propertied and non-landed propertied.

3.16 Socialism

Karl Rodbertus:
For obvious reasons, we must concentrate on Karl Marx, but he was not the only expositor of the socialist critique of capitalism and of socialist economic organisation. Karl Rodbertus may well have been the first person to formulate the theory of the socialist state (1837-42). He may be at least the equal of Marx as a master of “scientific socialism”, even though his analysis is not as elegant as Marx’s. He is an interesting individual: a conservative landed proprietor in Pomerania, he generally did not act other than in harmony with the existing power structure. He believed that the achievement of socialism requires a long process of historical development; indeed, he thought it would take five centuries. But the process is not an automatic one. It must be pushed along self-consciously, in part with the aid of the state, overcoming its initial hostility.

Rodbertus’s system somewhat parallels that of Marx. His includes historical materialism; contradictions in the then-existing social order, centering on labour versus capital, and distinguishing “essential capital” or machinery, as stored-up labour, from “historic capital”, the power derived from private ownership by capitalists; the origins of the present perilous position of the working class; the gradual introduction of new institutions; peaceful transformation rather than revolution; and so on, but, importantly, no theory of surplus value as such, although exploitation is worked out in a somewhat parallel manner.

Karl Marx:
I commence the classroom study of Marx with a famous excerpt from his Preface to A Contribution to the Critique of Political Economy, presenting its main points and distinguishing between the deterministic and conditionistic interpretations. In that connection I also analyse the famous letter of Joseph Bloch to Engels, (September 21, 1890). My lectures on
Marx are rather conventional. I cover dialectical materialism; the labour theory of value, including the theory of surplus value and the transformation of value into price; the theory of distribution; the laws of motion of capitalism, including the dynamics of the falling rate of profit, and the inherent contradictions comprising the dynamics of capitalism and so on. I add to the foregoing Lenin’s theory of imperialism. I immediately afterward compare political and economic theories of imperialism, emphasizing that the facts and data of imperialism exist independent of the question of whether imperialism is seen as a political or as an economic phenomenon; and that seeing it as political or economic is a matter of selective perception.

I then take up the Marx-Lenin theory of the state. I go through the model formed by the class domination theory of the state, the overthrow of the bourgeois state by revolution, the dictatorship of the proletariat, and the withering away of the proletarian state, indicating that the latter turns, in part, on the definition of the state.

Next I review some more recent approaches to the Marxian theory of the state, for example, that the state has some degree of autonomy; that the state performs several specific functions, namely, facilitating capital accumulation and the exploitation of labour, legitimizing and protecting the existing system and power structure, and facilitating the reproduction of the system and its class structure; that the existing economy and state constitute monopoly capitalism; and the recasting of imperialism as a system not so much as a means of political success at home but as a means to domestic profits. Rather than conquest and exploitation of colonial territories and people as the goal, waging war abroad enables certain industries to achieve positions of power and profit at home.

Returning to the Marxian theory of the state, I make the following points: that the state is an instrument of the ruling class and that Marx’s theory of the state is but one part of his political theory. The “political” has to do with power and the economy is readily seen to be a system of private power under capitalism; capitalism is seen as the will to power through money, a system of economic rulership (plutocracy); and the production process is for most people on a daily basis the principal field of power relations. The state is an important part of all this but still only a part. Finally, the main problem is not the state per se; the main problem is the concentration of capital, hence social power, in the hands of a few people.

I then indicate that most of the foregoing constitutes the main historical paradigm of Marxism, a paradigm which encompasses considerable variation, for example, rejection of the labour theory of value. But, I go on to say, the foregoing exploitation paradigm is but one of two paradigmatic versions of Marxism. The other is the alienation paradigm, whose elements I review.
Finally, I introduce the students to Marxian "revisionism". I suggest that much ground for diversity and divergence exists, inasmuch as both reasonable and unreasonable people will differ over incidentals and fundamentals and over applications and tactical manoeuvres. I also suggest that divergence and conflict can be driven by the struggle for power within the movement. The foregoing grounds for divergence were made more complex as some states attempted in the late nineteenth century to accommodate the interests of the working class and others. The North Atlantic states became increasingly pluralized: the franchise was extended to the working class and politicians and the state became responsive to their interests; unions were increasingly tolerated if not accepted, and their legal status was established; and the welfare and regulatory state was developed. The general socialist problem, therefore, was whether to work within the existing system or to challenge it. The specific issues included: the materialist versus a pluralist theory of history; emphasis on class interest or the welfare of the community as a whole; the status of the immiseration contradiction; the severity of business cycles; the class domination versus some pluralist theory of the state; reform as either inadequate or the means of gradual realization of socialism at least cost; dictatorship of the proletariat versus improving representative democracy; reform versus revolution; the status of the Party; whether the socialist state will be a class state, and whether it will have an important economic role; and, *inter alia*, socialism as a national versus international movement.

### 3.17 The “Revolution of the 1870s”

For quite some time it has been held that during the 1870s a revolution took place in economic theory if not in economic thought in its entirety, at least among orthodox economists. I suggest to students that there is evidence in support of such a revolution but that the revolution was incomplete and actually may not have occurred until much later. George Stigler argued that it did not occur until the 1950s or 1960s, when a prominent part of the research protocol for publication in economic journal required the formulation of a utility function. That may be too thin a basis for such a major judgment but his point is nonetheless well taken.

Among the conventionally understood characteristics of the putative revolution of the 1870s are the narrowing of economic categories, eliminating social class from the definition of factors of production and rendering economics as the economics of pure exchange in a purely conceptual abstract a-institutional market, in short, the transformation of political economy into economics; the adoption of the subjective or psychological, i.e., marginal utility theory of value; an emphasis on microeconomic analysis of resource allocation through inter-individual
exchange, encompassing the analysis of the rarefied behaviour of individual economic units, with marginal analysis as the basic technique; concern with partial (and later general) static equilibrium analysis; and so on. One problem is that not all economists, even theorists (and the nature and scope of theory did narrow) worked along different lines. Neoclassical economics itself was conducted differently and meant different things to different people, such as constrained maximization, marginal utility, marginal adjustments, resource allocation theory, and the pure logic of choice.

Marginal analysis and marginal utility analysis had both been deployed earlier; the operative questions became, if there was a revolution of the 1870s, why did it happen?, i.e., why did certain economists adopt the new modes of work?, and why did their modes of work take hold? Among the types of answers to such questions have been (as usual, each was given amplification): a reaction to Marx, the logical continuation of earlier beginnings, positivism replacing Hegelianism (historicism) in social thought in general and economics in particular, the deficiencies of the Classical theory, the emergence of professional academic economics to a predominant position, and the natural inventiveness of man coupled with the attractive novelty of the new. Not all conservative economists, for example, agreed on the explanation: for example, Stigler denigrated anti-Marxism as an explanation but Martin Bronfenbrenner thought it silly and wrong not to recognize it as a motivation for some economists.

We are now in a better position to recognize the many different ways in which economists did economics, during the entire period since the eclipse of the Classical school. (I note that although I admire and have studied John Stuart Mill and several other later Classicists, such as John Elliot Cairnes, I have never lectured on them. I have responded to numerous questions about Mill). I would now explain that the work of Malcolm Rutherford, Mary Morgan, Brad Bateman and Dan Hammond, among others, has enabled us to better comprehend that during the inter-war period, the mainstream of U.S. economists practiced a variety of blends of what we now call Neoclassical and Institutional economics.

3.18 Marginal Utility Economics

The major founders of marginal utility economics were William Stanley Jevons, Karl Menger and Léon Walras. There were, however, possibly two dozen authors who used marginal analysis prior to 1870 in the course of working out a very different account of the economy compared with the Classical school, an account clearly anticipatory of the later marginal utility theory of the Austrians and others. The best known of the early authors is Antoine Augustin Cournot. Largely because students are exposed to his
work in courses in economic theory, I have chosen not to lecture on Cournot and instead to take up Hermann Heinrich Gossen and Jules Dupuit in order to illustrate the type of marginalist work prior to 1870.

In Gossen’s work we find the principles of diminishing marginal utility, maximization of utility through the equimarginal principle, and increasing marginal disutility of labour. Gossen developed a theory of market exchange focusing on the valuation of goods and services, in which exchange is a function of differing marginal utilities and the beginning of imputation theory can be found.

Dupuit was a distinguished French civil engineer who worked on road and combine flood control and water use projects. In the 1840s and 1850s he published a series of articles examining pricing under increasing returns to scale. He advocated charging users-consumers differential prices correlating with differential consumer surplus (a concept he acquired from Jean-Baptiste Say and later used by Alfred Marshall). Dupuit also wrote on a number of other economic topics; not surprisingly some of them were Classical-school in origin. He supported the law of population, the wages fund theory, and absolute and comparative advantage. He favoured government regulation under certain conditions, e.g., monopoly; conducted cost-benefit type analyses of public works projects; and favoured a theoretical science of economics, as opposed to an empirical discipline, yet practiced a blend of the two.

I now take up marginal utility economics in general. I stress the self-perception of its advocates that marginal utility as a theory of value is a unifying principle for all economic analysis; that economics is the science of exchange, hence the science of the market mechanism and of consumer sovereignty; and that the identification of equilibrium conditions should be substituted for causal analysis, although Menger’s essentialism seems to predominate over mutual determination and adjustment. I indicate that one central problem arising from the marginal utility theory of value is that if value is a function of utility, utility is a function of quantity, and quantity is in part a function of cost; hence, the Marshallian scissors analysis is more sensible and tighter. (I return to Menger below.)

I turn to Jevons and his somewhat different approach to marginal utility economics and his solution to the problem just posed, namely that cost is not the cause of value but typically a determining condition. Also covered, more or less in passing, is an indication of the many different ways Jevons worked as an economist-as a theorist, as a historian, as a student of institutions, as a policy analyst, and so on-contrary to his declaration that economics is the mechanics of utility and self-interest.

After analysing in some detail the intricacies of marginal utility theory, I suggest that the marginal utility economists articulated the principles of diminishing marginal utility, substitution, complementarity,
and opportunity (as opposed to real) cost, as well as the equimarginal principle (as a central organizing principle).

As for distribution theory, I first examine the imputation theory of Menger and Friedrich Wieser according to which the prices of capital and other cost goods are derived from the marginal utility values of final goods. I point out that imputation theory led, as it were, to marginal productivity theory. Either I then present and analyse a non-normative marginal productivity theory which avoids the misleading uses and criticisms of the past, or do so shortly after my lectures on Marshall. Next comes the theories of capital and interest, principally those of Eugen von Böhm-Bawerk. At this point I present an overview of theories of interest, focusing on the general roles of interest; the questions, why interest?, where does interest come from?, and how high the rate of interest?; and distinguish between non-monetary and monetary theories.

The lectures now turn to the general equilibrium theories of Walras and Vilfredo Pareto. A discussion of general equilibrium theory per se is followed by discussions of the assumption and achievements of Walras’s formulation. This gives way to Pareto’s amendments to the Walrasian theory, specifically greater emphasis on the subjectivity of interdependence, the use of indifference analysis in an attempt to move from cardinal to ordinal utility, variable coefficients of production, and the inclusion of monopoly. Also discussed are Pareto’s economic and sociological analysis of socialism, and Pareto optimality.

It is my hope that the students appreciated the enormous differences between Classical and marginal utility or Austrian economics in defining reality and thereby framing discussion of policy.

Attention is now given to the theory of economic policy of the marginal utility economists, down to the present day. The general argument is advanced that while their normative version is laissez-faire libertarianism, their positive version is very different.

The libertarians are identified as Böhm-Bawerk, Menger, Hayek, Knight, Mises, Robbins, Leoni and Buchanan. Complications arise because some libertarian themes comport with that version of conservatism which emphasizes freedom, whereas other themes resonate with the emphasis on authority. Altogether the marginal utility (= Austrian) school’s analysis centres on markets as necessarily competitive and benevolent; voluntarism versus coercion; and minimal government, grounded on economic and other criticisms of the state. Supplementing these themes are those of a conservative organicism, notably the Hayekian themes of non-deliberative change and spontaneous order.

Yet in their positive analyses, these scholars recognize a ubiquitous struggle for power, such that individualism and benevolent harmony are significantly compromised as are libertarian and conservative
preconceptions about minimal government. The argument is supported initially by reference to the work and findings of Jevons and Menger. Jevons, like Cairnes, is pragmatic. Menger, so far from insisting on the sole authority of order derived from non-deliberative institutions, insists that every generation has as its calling the deliberative critique and reform of institutions which arose organically and spontaneously. The normative arguments are seen to have a role in manipulating the sentiments for the purpose of mobilizing political psychology but to be in conflict with or in denial or obfuscation of the system of power play in which that takes place.

Some of the positive (non-normative) implications of the foregoing are shown to have also been developed by Wieser. Among his themes are the economy as a system of power and mutual coercion; the importance of the legal order for the relative rights that help form markets; that the classical theorem regarding private interest leading to social interest is very limited once one recognizes power play; the acknowledgment that capitalism was essentially a bourgeois phenomenon and that power under capitalism has to be comprehended in that context; and that distribution ostensibly based on marginal productivity theory is adversely affected by the facts of class structure and the control of government by the upper classes (the marginal product was probably the upper limit of what workers were likely to receive).

Interestingly, I indicate that Walras combined his pure general equilibrium theory with a positive analysis of income distribution. The latter analysis shows that the structure of the institution of property affects how the economy distributes income. In particular, Walras, akin to Henry George and others, called for the nationalization of land or of land rent, based on ideas on rent theory that go back to Ricardo.

The positive analysis by Menger, Jevons and Wieser, for example, centres on how sentiments are manipulated in order to mobilize political psychology. That is now shown to be the centrepiece of the economic sociology of Pareto, whose notion of optimality is so cherished by conservatives who would thereby limit change to market exchange.

I point out that Pareto’s broader work, combined with the theories and approaches of Adam Smith, John R. Commons, Max Weber, Robert Lee Hale, Frank H. Knight and Edwin Witte, contributed to the formation of my own approach to the economic role of government. I indicate that in order that the student can take account of my own perspective in presenting the work of others. At any rate, I give the students an extended précis of my book on Pareto (Samuels 1974) which translates his sociology into the modern language of power.

Pareto believed that economic equilibrium was one facet of a general social equilibrium and therefore also that economics was one part of a larger general sociology. He presented a general model of interdependent
relations among a variety of variables, including sentiments, material interests, pseudo-knowledge, class structure, and circulation among groups within the elite class(es). He distinguished between logico-experimental, or hard, knowledge, and non-logico-experimental, or pseudo-, knowledge. He believed that people had complex psychic states, of which two elements in particular were dominant for his purposes, namely, one favouring change through recombination of social arrangements and one favouring continuity through the persistence of social arrangements. The various psychic motivations and sentiments could be mobilized or repressed by the adroit manipulation of pseudo-knowledge, such as social myths or vague, indefinite terms corresponding to nothing concrete but taken as meaningful by the targeted people. Overall, Pareto’s general model stipulates that policy is a function of knowledge, or what is taken to be knowledge; psychology, subject to manipulation; power, asymmetrically distributed and used; and, especially, their interaction. In sum, policy is a function of knowledge engendered by sentiments that are manipulated by power players given the complexity and malleability of psychic states.

All that is pretty heady stuff. One can see it as penetrating and perceptive or as perverse and cynical. It may well be that the latter pair drive the former pair, and that, in any event, his analysis helps explain much of the language of politics, perhaps most conspicuously U.S. presidential elections. Pareto (like Knight much later) was sensitive lest too many people see the world through his eyes, presumably because the game of politics likely would change. One cannot read Pareto’s general sociology and remain the same intellect.

3.19 Historical Schools

Another reaction to Classical economics emphasized a wider scope, a more important empirical element in methodology, and a different central problem compared to the mainstream of economics. The key is that of central problem; for the historicists it was the evolution of the system of organisation and control that made the economy what it was. Accordingly, they sought to examine the interaction between (1) diverse motivations and behaviour, (2) institutions of various types, (3) technology, and (4) market opportunities. Actually there were two historicist traditions, one German and the other, English. I lectured solely on the German, for several reasons.

The Older Historical School, dating principally from the 1840s and 1850s, was comprised of Wilhelm Roscher, Bruno Hildebrand and Karl Knies. The Younger Historical School, dating from the 1870s through the 1890s, consisted of Gustav Schmoller, Lujo Brentano, G. F. Knapp and Karl Bücher. A third generation consisted of Max Weber and Werner Sombart, and it was followed by another, comprised of at least Joseph A.
Schumpeter and Karl Polanyi and perhaps Erich Preiser. Historicism in economics was not unique; historicism was the principal 19th century approach to the social sciences in Germany and elsewhere. A major, yet indecisive “episode” in economics in several countries but especially the German speaking ones, was the Methodenstreit, centering on Menger versus Schmoller. They argued about mechanism versus organicism-evolutionism; methodological individualism versus methodological collectivism; a narrow versus broad scope and central problem; and normative individualism versus normative collectivism. Yet each overstated their respective cases in relation to the breadth of the work they undertook and of their views about the economy. (A similar debate took place in the U.S.).

Hildebrand, like his fellow Older School members, was concerned with questions of theory and was not overly controversialist. He was critical of what he saw as Smith’s natural law philosophy. He thought self-interest too limited an explanatory premise; it was too narrow, received little if any analysis of its determinants, and was working within a specific system. He held that the socialists had historical perspective and understood the class problem of society, but rejected socialism as destructive of individualism and civilization. Based upon his empirical, historical studies he produced a stage theory of economic development: barter, money, credit.

Brentano, like his fellow Younger School members, was more active in promoting social reform; the group split, however, over Prussian imperialism. He emphasized the bargaining disadvantage of the individual worker in the labour market, seeing that as a source of unionism. He favoured social insurance as a means of alleviating worker insecurity and misery, feeling that many of the risks and costs of technological change were shifted to and borne by workers. He also supported the minimum wage and the welfare state in general.

Max Weber was considered by many to have been the foremost social scientist of his or any other period. Among the bodies of theory that he fathered and/or to which he made pre-eminent contributions are the theories of authority, social class and stratification, bureaucracy, legal system, political sociology, power, political parties, religion and comparative religion, and institutions. His theory of the Protestant Ethic was the foremost interpretation of the origin of capitalism. Indeed, he was a major theoretician of capitalism as a system, seeing it, like all economic systems, as institutionally structured, culturally organized and shaped behaviour, as one subsystem of society interacting with others. Capitalism was a particular kind of rationality coupled with a particular structure of power. The elements of economic systems, of capitalism in particular, included (1) power (the structure and dominion of economic-political
groups; the laws, conventions, customs and traditions of society; and the structure of private property) and (2) the motivation of acting persons (a combination of psychology and knowledge, with motivation driven by combinations of self-interest, tradition, religious and/or ideological belief, and emotions). In the case of capitalism, the foregoing were manifested through profit-seeking on the basis of accounting statements, production for market, and improving and accumulating capital goods, in short, rational bureaucracy in the service of pecuniary gain. Running through much of these elements was the Protestant Ethic as the dominant socio-economic philosophy of life, with its reinforcement of materialism and means-ends rationality in economy and law. Other elements included the modern state, with its unique form of bureaucracy and special sense of citizenship; modern science and technology; and capitalist enterprise capable of operating within a great variety of political and military environments (among the variables here were the modes of capitalist ideals; the forms of markets; the subtypes of property structures; and the working procedures and assignment of rank and responsibility in business).

Another way of summarizing Weber’s approach is this: the economy is a mode of organized want satisfaction; people seek to acquire, i.e., appropriate, capacities to participate in the economy; and the economy is a system of domination, a structure of power sustained by a mixture of habit, self-interest (expediency), belief in authority and enforcement. The central problem for the social scientist is to show the relation of types of domination to want-satisfaction through appropriation.

An objective comparison of Pareto and Weber’s general theories, I suggest, would lead one to see them as substantively very close.

### 3.20 A Heritage of Dissonance: The Problem of Identity, c.1890

The lectures now take up the formation of what became the dominant, even hegemonic, school of economics in the twentieth century. The main focus is on the economics produced by Alfred Marshall, which, though overshadowed in time by other formulations of Neoclassical economics, has never been replaced and remains the basis of much teaching and research in economics. But first I examine what I portray as the identity crisis of economics in the late nineteenth century, a crisis produced in large part by the heritage of dissonance among conflicting schools of economic thought, and then examine the considerations which seem to me to have led to the ascendance of Neoclassical economics. The work of Marshall is so well known that not much space needs to be devoted here to recount what I cover. The reverse is true of the present topic.

By the last fifth of the nineteenth century, economics, I suggest, had developed an identity crisis. The sources of this crisis are multiple and
clear: several deep conflicts and problems. (1) Whether the name of the discipline is political economy or economics. Identity is very much a matter of one’s name. (2) The status of the classical economists (including Smith), the founders of the discipline. Identity is very much also a matter of one’s paternity. (3) Ambiguity and conflict in the theory of value, for many economists the main concern or central problem of the discipline. (4) The threat of Marxian economics and philosophy, of socialism in general. The challenge was to the nature and meaningfulness of mainstream economics, not just to the reigning economic order. (5) The status of the status quo, defined largely in economic terms and the basis for the social importance of economics. (6) The identity of economics as a science, particularly its central problem, in two senses: its own identity and the central problem or focus of analysis. (7) The identity of economics as a science, particularly its epistemological credentials.

The crisis thus outlined grew out of the diversity that marked the discipline by the last one or two decades of the nineteenth century, the diversity that led to a confused identity. Why is diversity confusing? In a field as important to life as the provision of goods and services, cognitive dissonance is disturbing; hence the quest for an identity that would not be dissonant and disturbing. Mathematics is not a field associated with a political-economic ideology. Yet mathematicians underwent cognitive dissonance when, in the nineteenth century, non-Euclidian geometry challenged what had seemed to be the absolute truths of Euclidian geometry. The same was true of physics in the twentieth century. How much more so for economics, when the fact that a professor could teach one course at 8am on full employment equilibrium and another at 9pm on less-than-full employment disequilibrium, ipso facto challenged the ideology of benevolent harmony of the market economy. As we will see below, the next major episode of cognitive dissonance leading to intellectual warfare and identity crisis was associated with John Maynard Keynes, due in no small part to his challenges to both mainstream economics and the dominant economic ideology.

The conflicts, let us be clear, derived from the multiplicity of schools of economic thought. Each of these schools-Classical, Historical, Romantic, Anarchist, Socialist, Historical and Austrian-projected its own themes. These themes, which were both substantive and methodological, defined both the economy and the research protocol of economics extremely differently. These differences, together with the absence of any independent test, say, an unequivocal meta-criterion, led to the cognitive dissonance and identity crisis.

The considerations uppermost in the minds of economists that led to the ascendance of Marshallian and post-Marshallian economics seem to me to be clear. (1) A quest for status. (2) The desire for the status of a science.
(3) The desire for a safe, apolitical existence, one not exposed to the ravages of socioeconomic class conflict, of politics, or of conflicts of principles of authority in society. (4) A desire—by economists and non-economists alike—for the social role of the person of knowledge, the expert. (5) A desire—again by economists and non-economists alike—specifically to have something authoritative to say about the proper economic role of government and about the definition and solution of putative economic problems.

Economists know about status. Status emulation is a major psychological theme of Adam Smith’s, even if overshadowed by self-interest and bettering one’s condition. For not only would successful pursuit lead to enhanced status, bettering one’s condition is itself driven by status emulation.

By the end of the nineteenth century, the status that was beginning to count was science. Economists very much wanted to be seen as scientists. That science meant different things and could be practiced in different ways, was quite another matter.

The fourth and, especially, the fifth considerations led to a tension with the second and third; the tension goes by the name of objectivity versus advocacy.

The concern for a safe niche for economics and economists had existed from the late nineteenth century. It grew with the onset of the Cold War.

Latent within most if not all of these considerations is the role of social control. In providing something definitive about the proper role of government and economic problems, in providing the cachet of the discipline on the regnant economic system, i.e., providing legitimacy, and in providing the linguistic and conceptual framework defining reality and policy analysis, economists were both assuming and being asked to take on the role of social control. Not only social control. In legitimizing the economic system, they were also putting minds at rest as to the harmonistic and optimality characteristics of the economic system; they were providing comfort, they were providing psychic balm.

The ascendancy of Neoclassical economics, which arguably did not occur until after World War Two, although the rise began earlier, was not without heterogeneity at the deepest levels. If Neoclassicism had a Lakatosian core of fundamental propositions, not all Neo-classicists necessarily agreed with all of them. Neoclassicism had different meanings to different people as to what it was all about: the market, the price mechanism, resource allocation, constrained-maximization decision making, the logic of choice, and so on.

The general character of Neoclassical economics differed markedly from Classical economics and from all other schools, with the partial
exception of Austrian economics (the precise relation of Austrian and Neoclassical economics remains a controversial issue). The elements of that general character include: Formal price theory replacing value theory and combining cost of production and utility theories, and eventually being further transformed into resource-allocation theory. Economics as the economics of the market, with the market understood largely in pure abstract a-institutional conceptual terms. Emphasis on the theories of the household and firm; on partial static equilibrium analysis; on period analysis as a conceptual device; continued refinement of general equilibrium theory; and, increasingly ubiquitous, on a research protocol requiring determinate unique optimal equilibrium results. Distribution theory developed on two levels: the analysis of particular factors of production or functional-income claimants (for the most part no longer defined in terms of social classes) and their remuneration, with emphasis on supply conditions and their role in the productive processes; and generalized theories encompassing all factors of production: opportunity cost and marginal productivity theories.

3.21 Marshallian Economics

By way of introduction I discussed some obvious topics: Marshall’s objectives and impact (shaping the general structure of Neoclassical economics; no grand model, though the basic framework providing modern microeconomic theory its direction, form and skeleton); Marshall’s attitude towards mathematics affirmative but restricted; partial equilibrium analysis; creator of important conceptual tools; his interesting combination of realism, moralism (meliorism), and empiricism as well as his middle class and urbane character; and the relation of his ideas to Ricardian and Austrian economics. Throughout I injected the views of other economists.

Substantively, I first take up Marshall’s positions on economics and on methodology, going through Book I, chapters I-IV and Appendices C and D in considerable detail. Next follows, as it likely does with most lecturers on Marshall, his theories of demand, supply (including production), and the famous treatment in Book V of the general relations of demand, supply and value in different conceptual time periods. Inter alia, I stress that Marshall did one thing overtly and another not so: He combined demand and supply in his famous scissors analogy but, while retaining the language of value theory, he also covertly transformed the theory of value into the theory of price. “Value” was a metaphysical concept seemingly projecting some absolute basis of price, whereas “price” was a market-adjusting and -clearing episodic and relativist phenomenon, a coefficient of choice embracing both the demand and the supply sides. I then moved on to Marshall’s theory of monopoly, and his concluding chapter of Book V,
chapter XV, especially his discussion of maximum satisfaction, the invisible hand, and laissez-faire.

I then lecture on Marshall’s theory(ies) of distribution. I first attend to his treatment of social class and then take up his theories of wages, interest, profit and rent. If time permits I go through the first eight chapters of Book VI in some detail. I then take up Chapters IX and X, showing how Marshall combined Ricardo’s theoretical analysis of the origin of economic rent and Richard Jones’s empirical account of the distribution of rent as a function of custom, law and power; i.e., of institutions. In any event, I assure time to cover in detail Chapters XII and XIII on progress and related policies in which Marshall manifests his understanding of both sides of important issues and comes out in favour of moderation to the exclusion of extremes.

3.22 Further Neoclassical Topics

I have occasionally, actually rarely, given overview lectures on government in the history of economics, including the neoclassical mainstream, and on the treatment of power in Neoclassical economics. I have always given a lecture, more or less detailed and more or less comprehensive, on the further development of Neoclassical economics after Marshall. This latter is, of course, an impossible task. My principal objective can only be to give the student some sense of the nature, structure and range of the developments. I have always also lectured on two other topics, marginal productivity theory (either earlier, as above, or at this point) and Frank William Taussig. And I try to review Shackle’s *Years of High Theory*.

My discussion of marginal productivity theory is in two steps. I first show several that it is a theory of the demand for labour, not a theory of the wage rate; how it is a theory of employment as well; and show both conservative and non-conservative uses of the theory, the latter centering on no occupation being more productive than any other, the circularity of the usual formulation, the tendency toward equal wage rates, and that it is part of an equilibrium condition, giving effect to assumed or status quo arrangements. Secondly, I present Bronfenbrenner’s brilliant comparison of John Bates Clark’s and a sophisticated modern formulation of the theory, as to fundamental statements, assumptions, and implications. I conclude with a statement from Robbins as to how the distribution of property, etc. are factors determining a person’s marginal product.

As for Taussig, I lecture on him for several reasons: he was the recognized leader of U.S. economics for almost half a century, in part as chair of the Harvard Department of Economics and as editor of the *Quarterly Journal of Economics*; he typified the profession in his personal conservatism moderated by humanism; and how he blended economic theory (price theory) and the theory of economic policy or order. He
accepted many marginal utility doctrines but felt the Austrian system was needlessly complex and could be stated more simply. He resuscitated a modified version of the wages fund theory, substituting for the wages fund a relatively inelastic supply of consumer goods. His work typically combined themes from microeconomics (price or value theory) and Veblenian institutionalism. Taussig published Gustav A. Kleene who challenged the conventional belief in ultimate determinants of wages, interest rates, normal profits, and rent, arguing instead that distribution is a matter of who could get into a position to acquire income. Taussig found it difficult to accept such an agnostic doctrine, but he could not refute Kleene’s ideas of no regulating laws of distribution and of a surplus up for grabs.

Turning to his theory of economic policy, or order, I point out that Taussig is as candid as numerous other economists, seeing society and economy as a struggle for power and privilege and therefore a structure of power and privilege. Like Pareto, he recognized the importance of psychic states, comprised of instincts (the term then widely used), one of which was an instinct of domination. He conducted a functional analysis of class structure, using Veblen’s term for one of them, namely the leisure class. Schumpeter complimented him for his appreciation and analysis of the problem of leadership selection in society.

Yet for all that Taussig, like Marshall, was cautious about social change. He was sympathetic to change oriented toward the interests of the masses. But he was afraid that the masses might have delusions that economic and social problems were easy of solution. He was wary about weakening self-help and self-dependence, but he blamed some or much labor-management conflict on the failure of management to exercise the responsibilities of wealth and power in ways that respected and helped workers. Eager to see a more equitable distribution of income, he nonetheless felt that material progress requires opportunities for privileged positions. In sum, he was conservative but not aristocratic or elitist.

Taussig was a pre-eminent figure in the field of international trade. His main interests were theoretical and institutional, with concerns over the costs and complexities of comparative advantage, the role of the specie flow mechanism and of trade machinery under non-specie monetary systems, and the analysis of protection.

### 3.23 Institutional Economics

I present the institutionalists as having views akin to those of the Historical schools but unlike many historicists in having an affinity for theorizing, a different kind of theory than Neoclassicism but theory nonetheless (Samuels 2004b). The institutionalists, like the historians, envision the
economy as more than the market (certainly more than the pure conceptual market), holistic or systemic, and evolutionary. In one model, institutional economics is (1) a reform movement, displeased with both how the market economy has been transformed into plutocracy and the development of the economics of the market; (2) an approach to problem solving, which is pragmatic, anti-doctrinal, empirical, multidisciplinary, and reformist; and (3) a body of knowledge.

Institutional economics as a protest and reform movement is best illustrated by the ideas of Thorstein Veblen. He criticized orthodox value theory (then largely marginal utility theory), denying the rationality assumption, emphasizing habit and custom, affirming other motivating forces such as the instinct of workmanship and status emulation, and rejecting the limited, static character of marginal utility analysis. He felt that neoclassical economics was little more than a defence of private property and the status quo. Veblen criticized capitalism on a number of counts: its unproductive ruling class, for the emphasis on making money rather than goods (pecuniary versus industrial orientation), the practice of conspicuous consumption for purposes of emulation, and resulting waste, the social-class basis of consumer preference, and inter alia practices giving rise to the business cycle.

Institutional economics as an approach to problem solving is illustrated by the institutionalists’ general support of welfare state programs. Several institutionalists, notably John R. Commons and Edwin E. Witte, were actively engaged as researchers into, and architects of, new institutions.

As a body of knowledge, institutionalism pursues a particular central economic problem, that of the organisation and control of the economy as a system. Both when seeking answers to a common problem and when pursuing its more widely defined central problem, institutionalists study a wider scope of variables than neoclassicism. Several coordinate themes characterize institutionalism as a body of knowledge: a theory of social change; a theory of social control/collective action; the growth and role of technology; the market seen as an institution and comprised of institutions, and as the ultimate allocative process; reasonable value; democratic; and holistic.

Commons’s approach to the legal foundations of capitalism stands on its own as an explanation of the emergence of a particular economic system. It also illustrates his approach to economics as a body of knowledge, incorporating several bodies of theory, in the service of economics as a movement of reform in the process of solving problems. Included were theories of social control and social change; language; psychology and behaviour; systemic and institutional organisation; the evolution of capitalism, centering on power struggle and conflict
resolution; the legal-economic nexus; property; liberty; and inter-agent interrelations.

Commons’s theory of language, for example, focused, in part, on how the operative substantive content of such legal concepts as property and freedom changed without change in terminology. His theory of behaviour cantered on a negotiational rather than a maximizing psychology. Institutions were collective action, including systems of belief, in control and liberation of individual action. He gave great weight to custom and moral and legal rules and to the processes of their transformation. His theory of the labour movement cantered on union collective bargaining over wages, hours, and working conditions (workplace rules) rather than revolution. The “values” that interested Commons were those residing in the working rules embodied in institutions rather than the use values of commodities reflected in money prices.

Commons also developed a theory of transactions. These were of three types: bargaining (between legal equals), managerial (between legal superior and inferior within a firm’s organisation of production), and rationing (between legal superior and inferior when government apportions opportunity through the protection of interests through rights). The basic transaction included not only the two negotiating parties but each’s next-best alternative and government, notably the courts, as arbiter of conflict.

Commons’s theories emphasized the social construction of institutions as a process of policy making and of working things out. This process he designated artificial, rather than natural, selection. His fully developed theory of Institutional Economics used very different terminology from that of most other economists; his cantered on such terms as working rules, sovereignty, scarcity, efficiency and futurity. These he elaborated in part using their manifestations in conventional economic theory.

3.24 Keynes’s Economics

The following topics are presented: the spheres in which Keynes’s theories are important, and how; the Say’s Law background; possibly a review of 19th and 20th century monetary theory into the 1920s and/or the types of business cycle theory; the basic logic of macroeconomics; Keynes’s general model; and the road travelled by Keynes to the *General Theory*.

The following spheres of importance are identified and elaborated upon: (1) theory of income determination; (2) role of savings; (3) role of the interest rate; (4) effect of the government (monetary and fiscal policies) (government spending as part of aggregate demand and of the economy, and compensatory possibilities); (5) significances of a fall in prices; and (6) opening of new areas of inquiry and spill overs into other areas.
Say’s Law will have been elucidated in the first semester or term, but most students in the final semester or term will not have taken the first one, so I examine Say’s Law in the same manner as before: formulations, assumptions, inferences, and critique.

The review of monetary theory centres on the history of the quantity theory; controversies over what is money, the monetary standard, the role of reserves, what commercial banks do, the nature and role of a central bank; fractional reserves and the money multiplier; and so on; the Cambridge cash-balance approach; Wicksell’s monetary theory; etc.

The basic logic of macroeconomics is identified in terms of the dual relations between income and spending; equilibrium, employment; the savings-investment, multiplier and accelerator adjustment process; ex ante vis-à-vis ex post; and so on. That is followed by Keynes’s general model of independent determinants and an indication of later refinements and/or restatements, e.g., liquidity preference, the propensity to consume, and IS-LM analysis.

Keynes’s road to the General Theory is analysed with regard to whether it was a revolutionary break with his earlier works or an evolutionary development of certain of his earlier works or elements of both. Two preliminary topics are covered: the respects in which the money is important and unimportant in the General Theory; and Keynes’s overall position during the 1920s as a leading critic of monetary and financial orthodoxy. The principal discussion is presented in some detail. I start with the Economic Consequences of the Peace, continue with the Tract on Monetary Reform, End of Laissez Faire, and Can Lloyd George Do It? (with Hubert Henderson), then move on to the Treatise on Money, all in the light of the General Theory.

A few words are in order about grading. Typically the exams were open-book: a student could bring any written material to the exam. My philosophy of grading was as follows: Questions should cover what I taught and the students were led to perceive to be the main topics of the course. I typically distributed samples of past exams. I wrote some easy questions (I thought) and some difficult ones, and some narrow and some broad, and made the exams quite long. I graded the answers generally easily.

APPENDIX 1

READING LISTS

Two reading lists are reproduced below from the period when the year sequence was divided into two semesters. An alternative version of Economics 815 substituted Terrell Carver, ed., The Cambridge Companion to Marx, 1991, for Lars Magnusson, ed., Mercantilist Economics, 1993,

**Economics 815**  
**Warren J. Samuels**  
**History of Economic Thought**  
**Syllabus**

**Texts:**


**PART ONE: INTRODUCTION**

1. Blaug, Introduction; Chapter 17.  
2. E. Whittaker, _A HISTORY OF ECONOMIC IDEAS_, Chapters 3, 9, 16.  
PART TWO: ECONOMIC THOUGHT PRIOR TO ADAM SMITH

1. Blaug, Chapter. 1
3. Lowry, Chapters 1-8.

PART THREE: ADAM SMITH AND ENGLISH CLASSICAL POLITICAL ECONOMY

1. Blaug, Chapters 2-6.
2. Adam Smith, WEALTH OF NATIONS.
8. Thweatt, Chapters 1-7.

PART FOUR: ANARCHISM, SOCIALISM AND MARXISM

A. ANARCHISM


B. SOCIALISM: GENERAL


C. MARXISM

1. Blaug, Chapter 7.
The course concentrates on (1) the diversity of post-classical-/Marxian economics, represented by covering historical, Austrian, Marshallian, neoclassical, institutional and Keynesian economics; (2) the late-19th century identity crisis in economics; (3) the professionalisation of economics, with Marshall critical to the development of neoclassical economics; (4) the conflict of epistemology and discourse analysis concerning the meaning of economics; and (5) the continuing critique of mainstream economics. The student should read selectively, on the basis of both the foregoing and personal interest. The final examination will be comprehensive and open book. One-fifth of the final examination grade (and therefore of the course grade) will be based on a ten-page paper (typed double-spaced) which explores the problem of interpreting Keynes, relying heavily but not solely on the second volume of Skidelsky's biography, more or less in the same manner as Marshall and others are treated in the Hennings and Samuels collection, due the last regularly scheduled class period before the final examination.

**Texts:**


**PART ONE: THE CLASSICAL AND MARXIAN HERITAGE**

1. Deane, Chapters 1-6, 8-10.
PART TWO: THE HISTORICAL SCHOOLS

3. J. A. Schumpeter, HISTORY OF ECONOMIC ANALYSIS, Part 4, Chapter 4.
4. B. B. Seligman, MAIN CURRENTS IN MODERN ECONOMICS, Chapter 1.

PART THREE: AUSTRIAN AND GENERAL EQUILIBRIUM ECONOMICS

1. Deane, Chapter 7.
2. Maurice Dobb, THEORIES OF VALUE AND DISTRIBUTION SINCE ADAM SMITH, Chapters 7, 8.
3. Mark Blaug, ECONOMIC THEORY IN RETROSPECT, 3rd or 4th eds., Chapters 8, 12, 13.
5. T.W. Hutchison, A REVIEW OF ECONOMIC DOCTRINES, Chapters 2, 5, 6, 9-11, 13.
9. G.J. Stigler, PRODUCTION AND DISTRIBUTION THEORIES, Chapters 1, 6-8.

PART FOUR: THE HERITAGE OF DISSONANCE

1. Mark Blaug, ECONOMIC THEORY IN RETROSPECT, 3rd or 4th eds., Introduction and Chapter 8.
2. Deane, Chapters 6-7, 9.

PART FIVE: NEOCLASSICAL ECONOMICS: THE DEVELOPMENT OF MICROECONOMICS

A. MARSHALLIAN ECONOMICS

1. Blaug, 3rd or 4th eds., Chapters 9-10.
2. Deane, Chapters 7-8.
3. Alfred Marshall, PRINCIPLES OF ECONOMICS, 8th ed.: Prefaces of 1st and 8th eds; Book 1, Chapters 1-4; Book 3, Chapters 1-6; Book 4, Chapters 1, 9, 11-13; Book 5, Chapters 1-15; Book 6, Chapters 1, 2, 6-8, 11; Appendices B, C, D, J.
4. Joseph A. Schumpeter, HISTORY OF ECONOMIC ANALYSIS, Part 4, Chapters 5, 6, 7 (including appendix).
5. T.W. Hutchison, A REVIEW OF ECONOMIC DOCTRINES, Chapter 4.

B. FURTHER DEVELOPMENT OF NEOCLASSICAL ECONOMICS

1. Deane, Chapters 10, 11.
4. Ben B. Seligman, *MAIN CURRENTS IN MODERN ECONOMICS*, Chapters 4 (v, vi, vii); 5 (iii, iv, v); 6 (iii, vi, vii), 8 (i-v, vii, viii); 9 (i, ii, iii, vi).
6. Breit and Ransom, Chapters 5, 6, 7, 9, 12, 13, 14.

**PART SIX: INSTITUTIONAL ECONOMICS**


**PART SEVEN: KEYNES AND THE DEVELOPMENT OF MACROECONOMICS**

2. Deane, Chapters 12, 13.
3. Seligman, Chapters 6 (iv); 7 (i, ii); 8 (iv, vii); 9 (v).
4. Shackle, Chapters 9-16.

**PART EIGHT: THE HISTORY OF ECONOMIC THOUGHT IN RETROSPECT: FACTORS AND FORCES IN THE DEVELOPMENT OF ECONOMIC THOUGHT**


APPENDIX 2
RESEARCH PAPER TOPICS

For the student, much of the course comprised my lectures and the extensive reading list. But there also were the topics of assigned papers and the questions on the only exam, the final examination (Appendix 3). Paper topics were part of the Syllabus distributed in the first meeting of the class. At that point or shortly thereafter I also distributed copies of several past exams, so the students knew what was ahead of them. The relevant part of the Syllabus typically read something like this:

The course grade will be based on a paper and on a comprehensive and open-book examination. The paper will be weighted 1/3 and the final exam-covering all course materials, including lectures and readings-will be weighted 2/3.

The paper should have a level of sophistication appropriate to the level of this course. The paper should be in the range of 18-20 pages, typed double-spaced, plus notes and references, which should be complete.
The objective of the paper is to give the student the opportunity to undertake research, analysis and writing at a high level of performance, especially to enable careful thinking about certain interpretive problems.

The student should consult with me about the design of the paper and for possible suggestions concerning additional sources. The course was principally on the history of economic thought. Because it was also on methodological and historiographical topics, students had the opportunity to prepare papers on these topics and, more typically, found questions bearing on them on the final exam. Among the research paper topics required of students over the years were the following:

What did economics look like/how was economics constituted in the period 1900-1939?

The relationship of Adam Smith’s total system of political economy to the ideas of pre-Classical, Mercantilist, and Classical economic thought.

The interpretive problems and issues which have arisen, according to S. Todd Lowry, ed., *Pre-Classical Economic Thought* and William O. Thweatt, ed., *Classical Political Economy*, and any other sources, as subsequent generations of writers have dealt with the work of earlier writers.

One from the following:

a. The interpretation of Adam Smith: the different interpretations, their bases, and the issues raised by them.

b. The interpretation of David Ricardo: the different interpretations, their bases, and the issues raised by them.

c. A contrast and comparison of the rational expectations hypothesis (New Classical Economics) with Say’s Law.

d. The recent literature on the sociology of science and its implications for interpreting the history of economics.

One of the following:

a. The central interpretive issues arising in the study of pre-Classical economics.

b. The relation of the ancient to the contemporary versions of one of the following: Hebrew, Islamic, Scholastic, and Protestant economic thought.

c. Smith’s analysis of jurisprudence and its relation to his economics.

d. Smith’s theories of language and of knowledge and their relation to the work of present-day writers on those subjects.
Critique William Lazonick’s *Business Organisation and the Myth of the Market Economy* on the basis of the rest of the course.

On the basis of John Maloney, *Marshall, Orthodoxy and the Professionalisation of Economics*, explore one of the following: (a) Alfred Marshall, (b) the state of economics in the late 19th and early 20th centuries, (c) Marshall’s relations to other economists and to the field, (d) the factors and forces which governed the transformation of economics into the neoclassical mainstream.

On the undergraduate level I regularly assigned one long (ten-page) and several short papers, the long paper counting as 1/3 of the final exam grade. The typical problem for the short papers was to identify the key sentences in certain parts of certain chapters, and explain why they are key. Among the topics for the long paper were “Economics is a Relativist/Nihilist Discipline” or “Economics is, or can be, a Postmodernist discipline” or “Economics is, or is not, a Science”.

“The fundamental questions which separate schools of economic thought” or “Economics: science or metaphysics”?

“The historical significance of Marx after the demise of the USSR”.

**APPENDIX 3**

**FINAL EXAM QUESTIONS**

I have already indicated my policies regarding examinations. Two-thirds of the course grade typically was based on a *comprehensive* and *open-book* final examination. I adopted open-book final exams for several reasons: the coverage of the course was vast, the reading materials the student was expected to master was great, and, as I encouraged them to do, making notes and outlining and cross-referencing them was a splendid way of learning and mastering material. Being able to consult with those outlines, and anything else, during the exam was often sufficient motive for students to do so. I found, when I was a student, that having done all that, I did not need to consult with the materials I brought to the final exam very much during the exam—when, of course, the course rules enabled one to do so.

I also offered students who wanted to judge their progress and preparation in the course an optional take-home mid-term examination that would be graded by me but the grade would not be recorded. Very few students took advantage of this opportunity.
Answer all of the following questions clearly and directly to the point and in such manner as to indicate your mastery of the materials covered therein. Your answer will be evaluated for both accuracy and degree of sophistication. Avoid duplication of answers and reiteration of points. All questions count equally.

I. Identify the principal doctrines/theories constituting each of the following:
   a. Mercantilism
   b. Adam Smith’s total system
   c. Physiocracy
   d. Ricardian/classical economics

2. Discuss one of the following:
   a. Economics as science and as metaphysics.
   b. How and why different theories can mean/signify different things to different schools or perspectives.
   c. The factors and forces that have governed the development of economic thought.
   d. In precisely what sense(s) can one say that all schools of economic thought can be thought of as “utopian”.

3. Identify and explain all of the following terms, also indicating the individual or school in whose theories etc. they arose in this course:
   a. specie flow mechanism
   b. bon prix
   c. invisible hand
   d. surplus value
   e. circulating capital
   f. wages fund
   g. diminishing returns
   h. value of labour power
   i. socialism
   j. individualism

4. Answer one of the following:
   a. Identify and contrast the different approaches to/types of the labour theory of value.
   b. Contrast the systems of thought of anarchism and socialism.

5. Answer one of the following:
   a. Construct a theory or model of the economy inclusive of power and social control using materials covered in this course.
   b. Compare and contrast what may be called the “naïve” and the “sophisticated” views of the economic role of government in
regard to the schools of thought covered in this course. How do you account for the differences between the two views?
c. Summarize carefully and in some detail the contents of the Communist Manifesto.

6. The readings and the lectures have materials on the emergence, before Smith, of liberal economic ideas. What were these ideas and what made them “liberal?” What, then, were “conservative” economic ideas?

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Answer six questions, two from Group One and four from Group Two, clearly and directly to the point, and in such manner as will indicate your mastery of the materials covered therein. All questions count equally. Avoid duplication of answers.

GROUP ONE: ANSWER TWO (2) QUESTIONS

1. Economic knowledge produced within a particular school of economic thought is limited by the constraints built into its paradigm, program, design, practice, etc. Thus G.L.S. Shackle writes in *The years of High Theory* of each grand theory able to answer on its own terms all the questions which that theory and those terms permit. What, precisely, does all this mean? What is its significance? How in particular does it apply to Neoclassical Economics?

2. A great deal of attention was paid in class, and some in the readings, to the epistemological/-philosophy of science aspects and limits to economic knowledge. Identify the principal themes which seem important to you. Why are they important?

3. Identify both
   a. The sociology of economics, its elements or facets, and its/their significance.
   b. The rhetoric of economics, its elements or facets, and its/their significance.

4. Is there a late 20th century identity crisis in economics paralleling that in the late 19th century? Both support/defend and criticize your answer.
GROUP TWO: ANSWER FOUR (4) QUESTIONS

5. Identify and explain the significance of each of the following:
   a. Subjectivism
   b. Historicism
   c. Equimarginal principle
   d. *Natura non facit saltum*
   e. Full employment

6. It was argued in class that there was/is a tension between the positive political economy of the Austrian school and its normative doctrines. Explain and critique.

7. Summarize Maloney’s argument and the bases on which it rests.

8. Consider the statement: “markets allocate resources”. What significantly different positive (in contrast to normative) views are found in the history of economic thought covered in this course.

9. How have each of the following been treated in the history of economic thought in this course?
   a. Uncertainty
   b. Power
   c. Value and price
   d. Income distribution

10. Assume you are either Vilfredo Pareto or Joseph Schumpeter and have accepted the task of writing an introduction to the collected works of the U.S. institutionalists (Veblen, Commons, et al). What would you say?

APPENDIX 4

NOTES FOR CONCLUDING LECTURE

The History of Economic Thought in Retrospect

1. The problem of Whig history of economic thought
   a. Identification.
   b. History of economic thought as history of theory, esp. microeconomics.
c. “Two traditions” and problem of scope of actual history of economics.
   i. “Economic theory” conventionally considered
   ii. “Theory of economic system”

   d. Three additional themes:
      i. Economy as more than market
      ii. “Theory” as more than resource allocation theory: theory of organisation and control, etc.
      iii. Theory of pure market mechanism vis-a-vis institutions and power structure which form and operate through them.

2. History of economic thought as a branch of intellectual history
   a. Conceit re pursuit of truth as legitimation technique re ideas and status (discipline as such and particular schools).
   b. Technical economics as manifestations of ideas.
   c. More to economics than technique: ideas and modes of thought.
   d. Aspects:
      i. Methodological individualism/methodological collectivism/institutional individualism
      ii. Teleological/mechanistic/probabilistic/Darwinian
      iii. Multiple rationalities: Diesing:
         a. Technical: ends-means analysis
         b. Economic: constrained maximization through exchange
         c. Social: conflict resolution through integrative processes
         d. Political: structure of decision making and participation
         e. Legal: conflict stabilization through rule or norm making.
      iv. Role of received cognitive system, or paradigm.
      v. Multiple roles of theory.

3. Matrix approach re:
   a. Plural views of economy.
   b. Plural views of economics, what it is all about.
   c. Plural views of particular schools.
   d. Plural views of evolution/history of economic thought.
   e. Particular texts.
4. Relativism/absolutism (internalism/externalism) in history of economic thought.

5. Hicks: economics as set of tools, not necessarily a definition of economic reality.

6. Multiplicity in history of economic thought

7. Selective construction, appropriation and use of the past
   a. e.g., Smith, Ricardo, Marx, Pareto, Keynes
   b. Privileging interpretations
   c. Matrix approach to meaning

8. The question of precursor status
   a. Aristotle: nothing new to say, only new ways of saying what is already known.
   b. Complex question of precursor status.

9. The problem of (relatively) open-ended interpretation (using and paraphrasing Cass Sunstein review of Stanley Fish, New Republic, 6 December 1993, 42-46, but also using ideas of my own hitherto published): with regard to particular texts, theories, and approaches to the world:
   a. In re: claim that there is no single necessarily correct interpretation and that, accordingly, there is no warrant for a single privileged interpretation.
   b. Could mean:
      i. That all of us make assumptions and have commitments and live in the world (trivial); or
      ii. That all views are equally valid and that we can never decide among them on the basis of good reasons (wrong); or
      iii. That we have the burden of making choices and that we do in fact choose; e.g., the privileging of one interpretation is itself an act of choice; the important thing is to recognize the fact of choice and consider the alternatives carefully.
   c. It is not only a political matter to change an interpretation; the adoption of the existing interpretation was itself a political matter; - meaning by “political” an act of choice
      i. Politics is not intruding into a situation which was neutral and from which politics had hitherto been absent; now a new set of political positions compete with the old
      ii. No way of avoiding politics; every interpretation is a matter of a certain set of preconceptions and convictions, many of
them unanalysed; politicization is both inescapable and ubiquitous.

d. Further complicated by fact that general concepts must be and indeed are given selective, specific meanings

e. For some, recognition of contingency is liberating - for people who are comfortable with open-endedness and ambiguity; for some, it is dismaying - people who want closure and determinacy.

i. Recognition of contingency is arguably congruent with the facts of life.

ii. Permits understanding that change is possible, and can be considered on basis of our interests and needs

a. Interpretation as tool

iii. Recognition that analysis is circular, tautological, question-begging, and endless manipulable is disturbing to many - including those who reject the human origins of human claims

a. Others feel that legitimization requires appearance of logical compulsion - where manipulation is really at work.

iv. Some believe that no such careful consideration is possible, that people do what they do without deep reflection and there is no way to improve matters.

f. Charge that recognition of contingency offers little that is useful.

i. Reaction to claim that public utility pricing does not merely give effect to rights but creates rights.

ii. Importance of consideration of interpretations as so many tools:

a. Pragmatism: meaning to be reckoned in terms of consequences.

b. Must still be concerned with questions of fact, value and interpretation.

iii. Enables/compels deliberative rather than deliberative consideration, including direct comparisons

iv. Focuses on fact and importance of processes of working things out

a. Emphasis on human role in creating meaning and truth means more, rather than less, serious work

i. “Reality” of social construction of economy and of knowledge of economy.

a. Role of pretence in legitimization

b. Can emphasize ubiquity of political interpretation and positioning while
refraining from affirming a singular interpretation.

i. Reliance on matrix analysis

v. Importance of self-referentiality, or self-reflexivity: apply contingency analysis to approach emphasizing contingency.

a. Even if we all believe in contingency interpretation,

i. It is only one interpretation, and

ii. It, too, must be worked out, as above

a. How it is worked out is influenced by decisional structure and process.

i. i.e., do not treat it as having an extra-human ground, that is, as a philosophical realist position.

REFERENCES


