


# THE HISTORY OF ECONOMIC THOUGHT: FROM MARSHALL TO MODERN ECONOMICS

## Reading List

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This list contains more reading than I expect you to have time to do. On the other hand, you should not expect to confine your reading to material on this list. There are many other things that are worth reading and what you read will depend on your own interests and what is available to you. I have provided so much reading to help you read further on topics that interest you and to make it easier to get hold of material. I have marked a few items from the secondary literature with the symbol . If you read nothing else, (apart from what you have to read for your essays) read these items (or at least the significant chapters if it is a whole book). † denotes material that has been added since last year (and may not be strictly accurate). \*\* denotes long lectures and \* denotes short ones. Material may over-run from one slot to the next, though I will try to ensure that there are no over-runs from one week to another.

The schedule for the first week is fairly firm; those for subsequent weeks are flexible and may be changed in response to student requests or ideas about how to improve the course. Two slots are empty near the end. I am open to suggestions for material that it would be useful to cover. Otherwise I will add material that I think would be useful and relates to things I am doing over the next few months. Topics that I might put in include Hayek and the move, over the past few decades, towards more 'free-market' economics.

### General background reading

#### *Textbooks*

There is no textbook for the course (other than the one I hope to write in the unforeseeable future), but the following may be useful. I recommend my recent book as suitable background reading, especially if you want some idea of what happened before the twentieth century.

Backhouse, RE 2002 *The Penguin History of Economics* London: Penguin Books/*The Ordinary Business of Life* Princeton, NJ: Princeton University Press.

This is a general, non-technical account of the history of economics since Homer. It does not go into the same detail as the course, but it is suitable introductory reading on most of the topics.

Backhouse, R.E. 1985. *A History of Modern Economic Analysis*. Oxford: Basil Blackwell. Available on the internet at [web.bham.ac.uk/r.e.backhouse/hmea](http://web.bham.ac.uk/r.e.backhouse/hmea). [Has something on most of the topics on this reading list, but it now very old and it misses many of the most interesting questions that arise. Useful for providing basic information.]

Breit, W., and R. L. Ransom. 1998. *The Academic Scribblers*. 3rd ed. Princeton, NJ: Princeton University Press. [Contains very readable accounts of economists

featured in the course: Marshall, Pigou, Chamberlin, Keynes, Hansen, Samuelson, Knight, Friedman and others. Good background reading.]

## WEEK 1 (MARCH 11-13)

### 1. Introduction, I: Some elements in the twentieth-century context

#### *Historiography*

📖 Weintraub, E.R. 1999. 'How should we write the history of twentieth-century economics?' *Oxford Review of Economic Policy* 15(4): 139–52

📖 Backhouse, R.E. 2001. 'How and why should we write the history of twentieth-century economics?' *Journal of the History of Economic Thought* 23(2): 243–51.

#### *The economics profession*

Coats, A. W. B., ed. 1997. *The Post-1945 Internationalization of Economics*. Durham, NC: Duke University Press. (Annual Supplement to History of Political Economy, volume 28).

—, ed. 2000. *The Development of Economics in Western Europe since 1945*. London: Routledge.

#### *The transformation of economics since 1920*

📖 Morgan, M. S., and M. Rutherford. 1998. American economics: the character of the transformation. *History of Political Economy* 30 (Supplement):3-26.

Mirowski, P. 1999. *Machine Dreams: How Economics Became a Cyborg Science*. Cambridge: Cambridge University Press, 1999.

Mirowski, P. 1997. Machine dreams: economic agents as cyborgs. *History of Political Economy* 29 Annual Supplement, *New Economics and its History*, edited by John B. Davis.

Blaug, M. 1999. The formalist revolution or what happened to orthodox economics after World War II? In *From Classical Economics to the Theory of the Firm: Essays in Honour of D.P. O'Brien*, ed. R. E. Backhouse and J. Creedy, 257-80. Cheltenham: Edward Elgar.

Kreps, D. 1997. Economics – the current position. *Daedalus* 126 (1):59-85.

Solow, R. M. 1997. How did economics get that way and what way did it get? *Daedalus* 126 (1):39-58.

### 2. Introduction, II: The Age of Marshall

Hutchison, T.W. 1953. *A Review of Economic Doctrines, 1870–1929*. Greenwood Press.

Coats, A. W. B. 1980. The culture and the economists: some reflections on Anglo-American differences. *History of Political Economy* 12:588–609. (Reprinted in Coats *The Sociology and Professionalization of Economics*. London: Routledge, 1993.).

Raffaelli, T. 2003. *Marshall's Evolutionary Economics*. London: Routledge.

### 3. Microeconomics, I: The firm and market structure\*\*

#### *General*

Backhouse, R.E. 2003. The stabilization of price theory, 1920–1955. In *Blackwell Companion to the History of Economic Thought*, chapter 20.

*Primary sources on the firm and market structure*

- Marshall, A. 1920. *Principles of Economics*. 8th ed. London: Macmillan. (First edition, 1890.).
- Chamberlin, E. H. 1933. *The Theory of Monopolistic Competition*. Cambridge, MA: Harvard University Press.
- Sraffa, P. 1926. The laws of returns under competitive conditions. *Economic Journal* 36:535-50.
- Knight, F. H. 1921. *Risk, Uncertainty and Profit*. Series of Reprints of Scarce Tracts in Economic and Political Science, 16. London: London School of Economics.

*Secondary sources on Marshall*

- Backhouse, R. E. 1985. *A History of Modern Economic Analysis*. Oxford: Basil Blackwell, chapter 10.
- Hutchison, T. W. 1953. *A Review of Economic Doctrines, 1870–1929*. Oxford: Oxford University Press.
- O'Brien, D. P. 1981. A. Marshall, 1842–1924. In *Pioneers of Modern Economics in Britain*, ed. D. P. O'Brien and J. R. Presley, 36-71. London: Macmillan. (Also in O'Brien, 1994, volume II.).
- Whitaker, J. K. 1987. Marshall, Alfred. *The New Palgrave: A Dictionary of Economics* 3:350-63.
- Samuels, W.J. 1999. Alfred Marshall and neoclassical economics: insights from his correspondence. *Research in the History of Economic Thought and Methodology* 17:45–100.

*Secondary sources on the firm and market structure*

- Aslanbeigui, N. 1996. The cost controversy: Pigouvian economics in disequilibrium. *European Journal of the History of Economic Thought* 3 (2):275-95.
- Backhouse, R. E. 1985. *A History of Modern Economic Analysis*. Oxford: Basil Blackwell, section 14.3, pp. 136–46.
- Bain, J. S., R. L. Bishop, and W. J. Baumol. 1964. The theory of monopolistic competition after thirty years. *American Economic Review* 54 (2):28-52.
- Kuenne, R. E. 1987. Chamberlin, Edward Hastings. *The New Palgrave: A Dictionary of Economics* 1:398-401.
- Loasby, B. J. 1990. The firm. In *Foundations of Economic Thought*, ed. J. Creedy, 212-33. Oxford: Basil Blackwell.
- Marcuzzo, C. The 'first' imperfect competition revolution, in *Blackwell Companion to the History of Economic Thought*, chapter 19.
- Moss, S. 1984. The history of the theory of the firm from Marshall to Robinson and Chamberlin: the source of positivism in economics. *Economica* 51:307-18.
- 📖 O'Brien, D. P. 1983. Research programmes in competitive structure. *Journal of Economic Studies* 10 (4):29-51. Also in O'Brien (1994), volume 1.
- . 1984. The evolution of the theory of the firm. In *Firms, Organization and Labour*, ed. F. H. Stephen, 25-62. London: Macmillan. Also in O'Brien (1994), volume 1.
- . 1994. *Methodology, Money and the Firm: The Collected Essays of D.P. O'Brien*. 2 vols. Cheltenham: Edward Elgar.
- Reinwald, T. P. 1977. The genesis of Chamberlinian monopolistic competition theory. *History of Political Economy* 9 (4):522-34.
- Shackle, G. L. S. 1967. *The Years of High Theory: Invention and Tradition in Economic Thought, 1926–39*. Cambridge: Cambridge University Press, chapters 4–6.

Skinner, A. 1983. E.H. Chamberlin: the origins and development of monopolistic competition. *Journal of Economic Studies* 10 (4):52-67. (Reprinted in Mark Blaug (ed) *Pioneers in Economics*, volume 38.).

*Primary sources on the marginalist/full-cost controversy*

Lester, R. A. 1946. Shortcomings of marginal analysis for wage-employment problems. *American Economic Review* 36 (1):63-82.

Machlup, F. A. 1967. Theories of the firm: marginalist, behavioral, managerial. *American Economic Review* 57 (1):1-33.

---. 1946. Marginal analysis and empirical research. *American Economic Review* 36 (4): 519-54.

*Secondary sources on the marginalist/full-cost controversy*

📖 Hausman, D. M., and P. Mongin. 1998. Economists' responses to anomalies: full-cost pricing versus preference reversals. *History of Political Economy* 29 (Supplement *New Economics and its History*):255-72.

Lee, F. S., and J. Irving-Lessman. 1992. The fate of an errant hypothesis: the doctrine of normal-cost prices. *History of Political Economy* 24 (2):273-310.

Lee, F. S. 1984. The marginalist controversy and the demise of full cost pricing. *Journal of Economic Issues* 18 (4):1107-32.

Mongin, P. 1982. The full-cost controversy of the 1940s and 1950s: a methodological assessment. *History of Political Economy* 24 (2):311-56.

*Secondary sources on competition*

Backhouse, R. E. 1990. Competition. In *Foundations of Economic Thought*, ed. J. Creedy, 58-86. Oxford: Basil Blackwell.

Stigler, G. J. 1957. Perfect competition, historically contemplated. *Journal of Political Economy* 65:1-17. (Reprinted in *Essays in the History of Economics*, 1965).

Stigler, G. J. 1987. Competition. *The New Palgrave: A Dictionary of Economics* 1:531-36.

*Game theory and industrial organisation*

Bresnahan, T., and R. Schmalensee. 1987. The empirical renaissance in industrial economics: an overview. *Journal of Industrial Economics* 35 (4):371-78.

Schmalensee, R. 1987. Industrial organization. *The New Palgrave: A Dictionary of Economics* 2:803-8.

#### **4. Methodology I: Formalism and progress\***

Friedman, M. 1953 The methodology of positive economics. In M. Friedman (ed) *Essays on Positive Economics*. Chicago University Press.

Koopmans, T. 1957. *Three Essays on the State of Economic Science*. McGraw Hill.

Kuhn, Thomas S. 1962/1970. *The Structure of Scientific Revolutions*. Chicago University Press

Backhouse, R.E. 1998. If mathematics is informal, perhaps we should accept that economics is informal too. *Economic Journal* 108: 1848–58.

Backhouse, R.E.. 1997. *Truth and Progress in Economic Knowledge*. Cheltenham: Edward Elgar.

Lakatos, I. 1977. *Proofs and Refutations*. Cambridge: Cambridge University Press.†

Kitcher, P. 1992. *The Advancement of Science*, Oxford University Press, chapters 4, 5.

## 5. Macroeconomics, II: The quantity theory before 1936

### *Primary sources*

- Wicksell, K. 1898. *Interest and Prices*. Reprints of Economic Classics. Translated by R.F. Kahn. New York: Augustus M. Kelley. Or 1935. *Lectures on Political Economy*. Vol. II. London: Routledge. Translated by E. Classen.
- Hawtrey, Ralph G. 1927. *Currency and Credit*. London: Longmans Green.
- Keynes, J. M. 1971. *A Tract on Monetary Reform*. Collected Writings of John Maynard Keynes, ed. D. Moggridge, IV. London: Macmillan. (First edition, 1923.).

### *Secondary sources*

- Backhouse, R.E. and Laidler, D. 2003. What was lost with ISLM. Forthcoming in *History of Political Economy Annual Supplement on The History of IS-LM*. [http://www.ssc.uwo.ca/economics/econref/html/WP2003/wp2003\\_6.pdf](http://www.ssc.uwo.ca/economics/econref/html/WP2003/wp2003_6.pdf)†
- Dimand, R. 2003. Interwar monetary and business cycle theory: macroeconomics before Keynes. In *Blackwell Companion to the History of Economic Thought*, chapter 21.†
- Haberler, G. 1937. *Prosperity and Depression*. Geneva: League of Nations.
- Laidler, D. 1991. *The Golden Age of the Quantity Theory*. Deddington: Philip Allan. (chapters on Wicksell and Marshall.)
- Laidler, D. 1993. Hawtrey, Harvard, and the origins of the Chicago tradition. *Journal of Political Economy* 101:1068-1103.
- Laidler, D. 2003 Chicago monetary traditions. \_\_\_\_\_†
- 📖 ---. 1999. *Fabricating the Keynesian Revolution: Studies in the Inter-War Literature on Money, the Cycle and Unemployment*. Cambridge: Cambridge University Press.
- Mehrling, P. G. 1997. *The Money Interest and the Public Interest: American Monetary Thought, 1920-1970*. Cambridge, MA and London: Harvard University Press, Part I.
- Humphrey, T. M. 1993. *Money, Banking and Inflation*. Cheltenham: Edward Elgar, chapter 'Keynes on inflation', pp. 185–95. (Also in *Federal Reserve Bank of Richmond Quarterly Review* 75(4), 1989, pp. 3–13.) [Though I am not directing you specifically to other chapters, this book contains many chapters that you may find helpful on different topics.]

## 6. National Income Accounting

- Perlman, M. and C. McCann. 1998. *The Pillars of Economic Understanding: Ideas and Traditions*, ch. 5.
- Perlman, M. 1996. 'Public purpose and the national accounts', in Perlman *The Character of Economic Thought, Economic Characters and Economic Institutions: Selected Essays*. Ann Arbor, MI: University of Michigan Press.
- Easterlin, R.A. 1987. Kuznets, Simon, in *The New Palgrave: A Dictionary of Economics*, vol 3.
- Carson, C. 1975. The history of the United States national income and product accounts: the development of an analytical tool. *Review of Income and Wealth* 21: 153–81.
- Kendrick, J.W. 1970. The historical development of national accounts. *History of Political Economy* 2: 284–315.
- Johansen, L. 1985. Richard Stone's contributions to economics. *Scandinavian Journal of Economics* 87: 4–32.

## WEEK 2 (MARCH 25-27)

### 7. Microeconomics, II: General equilibrium and game theory

#### *Consumer and demand theory*

Hands, D.W. and Mirowski, P. 1997. Harold Hotelling and the neoclassical dream. In RE Backhouse, D. Hausman, U. Mäki and A. Salanti (eds) *Economics and Methodology: Crossing Boundaries*, IEA/Macmillan.

#### *General equilibrium*

Baumol, W. J., and S. M. Goldfield, eds. 1968. *Precursors in Mathematical Economics: An Anthology*. Series of Reprints of Scarce Works on Political Economy, 19. London: London School of Economics. [This contains translations of papers by Schlesinger, Wald and von Neumann.]

Golland, L. A. 1996. Formalism in economics. *Journal of the History of Economic Thought* 18 (1):1-12.

📖 Ingrao, B., and G. Israel. 1990. *The Invisible Hand: Economic Equilibrium in the History of Science*. Cambridge, MA: MIT Press. (See especially chapters 6–9.)

Mirowski, P. 1991. The when, the how and the why of mathematical expression in the history of economic analysis. *Journal of Economic Perspectives* 5 (1):145-57.

Punzo, L. F. 1991. The school of mathematical formalism and the Viennese school of mathematical economists. *Journal of the History of Economic Thought* 13 (1):1-18.

Samuelson, P. A. 1998. How Foundations came to be. *Journal of Economic Literature* 34 (3):1375-86.

Weintraub, E. R. 1985. *General Equilibrium Analysis: Studies in Appraisal*. Cambridge and New York: Cambridge University Press.

Weintraub, E. R., and P. Mirowski. 1994. The pure and the applied: Bourbakism comes to mathematical economics. *Science in Context* 7 (2):245-72. Part appears on Weintraub 2002.†

Weintraub, E. R. 2002. *How Economics Became a Mathematical Science*. Durham, NC: Duke University Press.†

De Costa, M. L. 1999. *General Equilibrium and the Theory of Markets*. Cheltenham: Edward Elgar, chs. 1–3.

#### *Game theory*

Dimand, M. A., and R. W. Dimand. 1996. *A History of Game Theory, Volume I*. London and New York: Routledge.

Dimand, R. W. 2000. Strategic games from theory to application. *History of Political Economy* 32 (Annual Supplement, The History of Applied Economics).

Giocoli, N. 2003. *Modeling Rational Agents: From Interwar Economics to Early Modern Game Theory*. Cheltenham: Edward Elgar.†

Innocenti, A. 1995. Oskar Morgenstern and the heterodox potentialities of the application of game theory to economics. *Journal of the History of Economic Thought* 17 (2):205-27.

📖 Leonard, R. J. 1994. Reading Cournot, reading Nash: the creation and stabilisation of the Nash equilibrium. *Economic Journal* 104:492-511. (Symbol could be applied to either of Leonard's articles.)

---. 1995. From parlor games to social science: von Neumann, Morgenstern and the creation of game theory, 1928--1944. *Journal of Economic Literature* 33 (2): 730-61.

- Mirowski, P. 1991. When games grow deadly serious: the military influence on the evolution of game theory. *History of Political Economy* 23 (Annual Supplement):227-56.
- . 1992. What were von Neumann and Morgenstern trying to accomplish? *History of Political Economy* 24 (Annual Supplement, Toward a History of Game Theory): 113-47.
- Schmidt, C. 1990. Game theory and economics: an historical survey. *Revue d'Economie Politique* 100 (5):589-618. (English is not very clear, but makes some worthwhile points.)
- Schotter, A., and G. Schwodiauer. 1980. Economics and game theory: a survey. *Journal of Economic Literature* 18 (2):479-527.
- Kreps, D. 1990. *Game Theory and Economic Modeling*. Oxford: Clarendon Press. [I have not seen this, but I have been recommended it. It talks about reasons, from a practitioner's perspective, why game theory has been successful.]

## 8. Microeconomics, III: Socialism and welfare

### *Welfare: Primary sources*

- Bergson, A. 1938. A reformulation of certain aspects of welfare economics. *Quarterly Journal of Economics* 52:310-34.
- Bergson, A. 1948. Socialist economics. Chap. 12 In *A Survey of Contemporary Economics*, ed. H. S. Ellis, 412-48. Homewood, IL: R.D. Irwin.
- Lange, O. R. 1942. The foundations of welfare economics. *Econometrica* 10:215-28.
- Arrow, K. J., and T. Scitovsky, eds. 1969. *Readings in Welfare Economics*. AEA Series of Republished Articles on Economics, 12. London: George Allen and Unwin. (Includes several of the classic articles, including Bergson and Lange.)

### *Welfare: Secondary sources*

- 📖 Backhouse, R. E. 1985. *A History of Modern Economic Analysis*. Oxford: Basil Blackwell, chapters 15 and 24.
- Hutchison, T. W. 1953. *A Review of Economic Doctrines, 1870–1929*. Oxford: Oxford University Press, chapter 14 (esp. section 3 on welfare economics) and 18.
- Mandler, M. 1999. Dilemmas in Economic Theory: Persisting Foundational Problems of Microeconomics. Oxford: Oxford University Press, especially chapters 1, 4–6, and 8.
- Blaug, M. 1997. *Economic Theory in Retrospect*. 5th ed. Cambridge: Cambridge University Press, chapters 9 (pp. 340–51) and 13 (pp. 570–94). (You can also use 3<sup>rd</sup> or 4<sup>th</sup> editions.)
- Myint, H. 1948. *Theories of Welfare Economics*. London: Frank Cass. Reprinted New York: A.M. Kelley, 1962.
- Dobb, M. H. 1969. *Welfare Economics and the Economics of Socialism: Towards a Commonsense Critique*. Cambridge: Cambridge University Press, chapter 3.

### *Socialism: Primary sources*

- Hayek, F. A. 1935. The present state of the debate. In *Collectivist Economic Planning*, ed. F. A. Hayek, 210-43. London: Routledge. Reprinted in *Socialism and War: Essays, Documents, Reviews (The Collected Works of F.A. Hayek, volume 10, ed. B. Caldwell*. London: Routledge, 1997.)
- . 1945. The use of knowledge in society. *American Economic Review* 35 (4):519-30. (Also in Hayek 1948.). (Reprinted in Littlechild 1990, vol 3.)
- . 1948. The meaning of competition. In *Individualism and Economic Order*, ed. F. A. Hayek, 92-106. Chicago: University of Chicago Press. (Reprinted in Littlechild 1990, vol 3.)

- . 1978. Competition as a discovery procedure. In *New Studies in Philosophy, Politics, Economics and the History of Ideas*, ed. F. A. Hayek, 179-90. Chicago: University of Chicago Press. (Reprinted in Littlechild 1990, vol 3.)
- Lange, O. R. 1936–7. On the economic theory of socialism, Parts I and II. *Review of Economic Studies* 4 (1):53-71, 4 (2):123-42.
- Littlechild, S., ed. 1990. *Austrian Economics*. Schools of Thought in Economics, ed. M. Blaug, 10. 3 vols. Cheltenham: Edward Elgar.
- Mises, L. von. 1935. Economic calculation in the socialist commonwealth. In *Collectivist Economic Planning*, ed. F. A. Hayek, 87-130. London: Routledge. (Translation of paper published in German in 1920.). (Reprinted in Littlechild 1990, vol 3.)

*Socialism: Secondary sources*

- Lavoie, D. 1981. A critique of the standard account of the socialist calculation debate. *Journal of Libertarian Studies* 5 (1):41-87. (Reprinted in Littlechild 1990, vol 3.)
- 📖---. 1985. *Rivalry and Central Planning*. Cambridge: Cambridge University Press. (Lavoie 1981 is a shorter substitute, but does not have the same detail.)
- O'Donnell, M. G. 1979. Pigou: an extension of Sidgwickian thought. *History of Political Economy* 11 (4):588-605.
- Vaughn, K. I. 1980. Economic calculation under socialism: the Austrian contribution. *Economic Inquiry* 18:535-54. (Reprinted in Littlechild 1990, vol 3.)

## 9. Macroeconomics, III: The Keynesian revolution

*Primary sources*

- Keynes, J.M.. 1936. *The General Theory of Employment, Interest and Money*. Collected Writings of John Maynard Keynes, ed. D. E. Moggridge, VII. London: Macmillan. (First published 1936.)
- Hicks, J. R. 1937. Mr Keynes and the ‘classics’: a suggested interpretation. *Econometrica* 5:147-59. (Reprinted in numerous places.)

*Secondary sources: Keynes*

- Blaug, M. 1990. *John Maynard Keynes: Life, Ideas, Legacy*. London: Macmillan.
- Dimand, R. W. 1988. *The Origins of the Keynesian Revolution*. Cheltenham: Edward Elgar.
- Moggridge, D. E. 1976. *Keynes*. London: Fontana. (Shorter.)
- . 1992. *Maynard Keynes*. London: Routledge.
- Skidelsky, R. 1983. *John Maynard Keynes. Volume I: Hopes Betrayed, 1883--1920*. London: Macmillan. 1992. *John Maynard Keynes. Volume II: The Economist as Saviour, 1920—1937. Volume III: Fighting for Britain*. London: Macmillan. There is also a single-volume
- . 1996. *Keynes*. Oxford: Oxford University Press. (Shorter.)

*Secondary sources: the revolution*

- 📖---. 1999. *Fabricating the Keynesian Revolution: Studies in the Inter-War Literature on Money, the Cycle and Unemployment*. Cambridge: Cambridge University Press.
- 📖Patinkin, D. 1990. On different interpretations of the General Theory. *Journal of Monetary Economics* 26 (2):205-43.
- Blaug, M. 1997. *Economic Theory in Retrospect*. 5th ed. Cambridge: Cambridge University Press, chapter 16, pp. 651-75 (Reader’s Guide to GT – not in earlier editions.)
- Patinkin, D. 1982. *Anticipations of the General Theory?*

## 10. Macroeconomics, IV: Macroeconomics since Keynes

### Primary sources

Friedman, M. 1968. The role of monetary policy. *American Economic Review* 58 (1): 1-17. (Reprinted in Friedman *The Optimum Quantity of Money and Other Essays*. Chicago, IL: Aldine, 1969.)

### Secondary sources

Young, W. 1987. *Interpreting Mr Keynes: the IS--LM Enigma*. Cambridge: Polity Press.

Backhouse, R. E. 1995. *Interpreting Macroeconomics: Explorations in the History of Macroeconomic Thought*. London: Routledge. (Chapters 8 and 10).

📖 ---. 1997. The rhetoric and methodology of modern macroeconomics. In *Reflections on the Development of Modern Macroeconomics*, ed. B. Snowdon and H. R. Vane, 31-54. Cheltenham: Edward Elgar.

Blaug, M. 1997. *Economic Theory in Retrospect*. 5th ed. Cambridge: Cambridge University Press, chapter 16, pp. 641–50, 676–86 (4<sup>th</sup> edition can be used.)

Hammond, J. D. 1996. *Theory and Measurement: Causality Issues in Milton Friedman's Monetary Economics*. Cambridge: Cambridge University Press.

Mehrling, P. G. 1997. *The Money Interest and the Public Interest: American Monetary Thought, 1920-1970*. Cambridge, MA and London: Harvard University Press, Part II.

Hoover, K. D. 1988. *The New Classical Macroeconomics*. Oxford: Basil Blackwell.

Hoover, K. D. 2003 A history of postwar monetary economics and macroeconomics, in *Blackwell Companion to the History of Economic Thought*, chapter 26.

Klamer, A. 1987. *The New Classical Macroeconomics: Conversations with New Classical Economists and their Opponents*. Brighton: Wheatsheaf Books. (NB US edition of the book has a different title but the same content.)

Snowdon, B., and H. Vane. 1997. 'The development of Modern macroeconomics: a rough guide', in *A Macroeconomics Reader*, London: Routledge, pp. 1-26.

Snowdon, B., and H. Vane, eds. 1999. *Conversations with Leading Economists: Interpreting Modern Macroeconomics*. Cheltenham: Edward Elgar.

## 11. Methodology II: Microeconomics and macroeconomics

📖 Hoover, K.D. 2001. *The Methodology of Empirical Macroeconomics*. Cambridge University Press. [chapter on microfoundations, though whole book is recommended]

Hoover, K.D. 2001. Is macroeconomics for real? In U. Mäki (ed.) *The Economic World View: Studies in the Ontology of Economics*. Cambridge University Press. Early version in *The Monist* 78(3), pp. 235–57.

Kirman, A.P. 1992. Whom or what does the representative agent represent? *Journal of Economic Perspectives* (Spring).

Janssen, M. 1993. *Microfoundations: A Critical Inquiry*. Routledge.

Hartley, J. 1997. *The Representative Agent in Macroeconomics* Routledge.

## 12.Seminar I: Student presentations on possible essay topics

### WEEK 3 (MAY 6-8)

#### 13.Econometrics\*\*

##### *Primary sources*

Hendry, D. F., and M. S. Morgan, eds. 1995. *The Foundations of Econometric Analysis*. Cambridge: Cambridge University Press. (Selection of readings together with a lengthy introduction.)

##### *Secondary sources*

Christ, C. F. 1953. History of the Cowles Commission 1932--1952. In *Economic Theory and Measurement*, ed. Cowles Commission, 3-65. Chicago: Cowles Commission.

---. 1994. The Cowles Commission's contributions to econometrics at Chicago. *Journal of Economic Literature* 37 (1):30-59.

Epstein, R. J. 1987. *A History of Econometrics*. Amsterdam: North Holland.

Hildreth, C. 1986. *The Cowles Commission in Chicago, 1939--1955*. Berlin: Springer-Verlag.

📖 Morgan, M. S. 1990. *The History of Econometric Ideas*. Cambridge: Cambridge University Press.

Duo, Qin. 1993. *The Formation of Econometrics: A Historical Perspective*. Oxford: Clarendon Press.

#### 14.Methodology, III: What does it mean to be rigorous?\*

📖 Weintraub, E.R. 1998. Axiomatisches Missverständniss. *Economic Journal* 108.

📖 Summers, L. 1991 The scientific illusion in empirical macroeconomics. *Scandinavian Journal of Economics* 93(2), pp. 129–48.

Backhouse, R.E. 2002 How far can econometrics be formalized? Some limits of the probabilistic approach to empirical economics. [Photocopy]

Backhouse, R.E. and M.S. Morgan 2000. Introduction: is data mining a methodological problem? *Journal of Economic Methodology* 7(2), pp. 171–181. [This introduces a symposium, which you may find useful.]

Sugden, R. 2000. Credible worlds: the status of theoretical models in economics. *Journal of Economic Methodology* 7(1), pp. 1–31. Also in U. Maki (ed) *Fact and Fiction in Economics: Models, Realism and Social Construction*. Cambridge: Cambridge University Press, 2002, pp. 107-36.†

Morgan, M.S. 2000. Models, stories and the economic world. *Journal of Economic Methodology* 8(3), pp. 361–84. Also in U. Maki (ed) *Fact and Fiction in Economics: Models, Realism and Social Construction*. Cambridge: Cambridge University Press, 2002, pp. 178-201.†

Backhouse, R.E. 1998. Economic models and reality: the role of informal scientific methods. In U. Maki (ed), *Fact and Fiction in Economics: Models, Realism and Social Construction*. Cambridge: Cambridge University Press, 2002, pp. 202-213.†

Mayer, T. 1993. *Truth Versus Precision in Economics*. Aldershot: Edward Elgar.†

## **15. Applied topics, I: Growth and development\*\***

### *Applied economics in general*

Backhouse, R.E. and Biddle, J. 2000. The history of applied economics: a history of ambiguity and multiple meanings. *History of Political Economy* 32 Annual Supplement (Backhouse and Biddle, eds, *Toward a History of Applied Economics*).

### *Growth and development*

Backhouse, R. E. 1985. *A History of Modern Economic Analysis*. Oxford: Basil Blackwell, chapters 25 and 27.3–4.

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Ascher, W. 1996. The evolution of postwar doctrines in development economics. In A.W. Coats (ed) *The Post-1945 Internationalization of Economics*, Durham, NC: Duke University Press (Annual Supplement to *History of Political Economy*, volume 28).†

## **16. Applied topics, II: Trade and location\***

Backhouse, R.E. *A History of Modern Economic Analysis*, 1985, chapters 17 and 27.

Humphrey, T. 'The trade theorist's sacred diagram: its origin and early development', *Federal Reserve Bank of Richmond Economic Review* 74(1), 1988, pp. 3–15.

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Heckscher, E.F. and Ohlin, B. *Heckscher–Ohlin Trade Theory*, edited with an Introduction by Harry Flam and M. June Flanders (1991).

Krugman, P. 1995. *Geography, Development and Economic Theory*, MIT Press.

## **17. Applied topics, III: Finance and public economics\*\***

### *Finance*

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Bernstein, P. 1993. *Capital Ideas: The Improbable Origins of Modern Wall Street*, Free Press.

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### *Public choice*

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Boettke, P. J. 1998. James M. Buchanan and the rebirth of political economy. In *Economics and its Discontents: Twentieth Century Dissenting Economists*, ed. R. Holt and S. Pressman, 21–39. Aldershot: Edward Elgar.

- McLean, I. 1991. Economics and politics. In *Companion to Contemporary Economic Thought*, ed. D. Greenaway, M. Bleaney, and I. Stewart, 729-41. London: Routledge.
- Medema, S. G. 1998. The trial of homo economicus: what law and economics tells us about the development of economic imperialism. *History of Political Economy* 29 (Supplement):122-42.
- . 2000. 'Related disciplines': the professionalization of public choice analysis. *History of Political Economy* 32 (Supplement The History of Applied Economics):forthcoming.
- Mitchell, W. C. 1988. Virginia, Rochester and Bloomington: Twenty-five years of public choice and political science. *Public Choice* 56:101-19.
- . 1999. Political science and public choice: 1950-70. *Public Choice* 98:237-49.
- Peacock, A. 1992. *Public Choice Analysis in Historical Perspective*. Raffaele Mattioli Lectures. Cambridge: Cambridge University Press.

### **18. Applied topics, IV: Human capital and labour economics\***

**(Lecture to be given by Pedro Teixeira).**

#### *Labour Economics*

- Kaufman, Bruce E. (ed.) (1988) *How Labor Markets Work*, Lexington Books, Lexington (MA)
- Kerr, Clark and Paul D. Staudohar (1994) *Labor Economics and Industrial Relations – Markets and Institutions*, Harvard University Press: Cambridge (MA)
- . McNulty, Paul J. (1986) *The Origins and Development of Labor Economics*, MIT Press, Cambridge (MA)

#### *Human Capital*

- Blaug, Mark (1975) *The Economics of Education in English Classical Political Economy: A Re-Examination*, in *Economic History and the History of Economics*, New York, New York University Press, 1986
- Kiker, B. F. 1968. *Human Capital in Retrospect*. Columbia SC. University of South Carolina.

#### *Take-off of Human Capital Research*

- Becker, Gary (1964) *Human Capital*, Columbia University Press, 2<sup>nd</sup> Ed. 1975 and 3<sup>rd</sup> 1994
- (2000) <http://www.nobel.se/economics/laurates/1992/becker-autobio.html>
- Mincer, Jacob (1974) *Schooling, Experience and Earnings*, Columbia University Press
- (1993a) *Studies in Human Capital*, Edward Elgar, Cheltenham
- Schultz, Theodore (1961) Investment in Human Capital, *American Economic Review*, 51 pp. 1-17
- (Ed.) (1962) Investment in Human Beings, *Journal of Political Economy* Annual Supplement
- (2000) <http://www.nobel.se/economics/laurates/1979/schultz-autobio.html>

#### *Appraisal and Controversies*

- Blaug, Mark (1976). The Empirical Status of Human Capital Theory: A Slightly Jaundiced Survey. *Journal of Economic Literature*. 14.3: 827-55
- Freeman, Richard B. 1986. "Demand for Education", in Ashenfelter and Layard Eds. *Handbook of Labour Economics*. Vol. I: 357-386
- Rosen, Sherwin. 1977. "Human Capital: A Survey of Empirical Research" in Ronald G. Ehrenberg. *Research in Labour Economics*. Vol. 1. 3-39
- . Teixeira, Pedro (2000) Economics of Education: An Exploratory Portrait, *History of Political Economy*, Vol. 31, Annual Supp.

## WEEK 4 (MAY 13-15)

### 19.Heterodox economics, I: Hobson and Institutionalism\*\*\*

*J.A. Hobson*

- Hobson, J.A. and Mummery, J.F. 1889. *The Physiology of Industry*. London: John Murray.
- Hobson, J.A. 1910. *The Industrial System: An Inquiry into Earned and Unearned Income*. London: Longmans Green, chapters IV–VI.
- Backhouse, R.E. 1994. Hobson and Mummery's '*The Physiology of Industry*', in *J. A. Hobson after Fifty Years: Free Thinker of the Social Sciences*, edited by J. Pheby. Basingstoke: Macmillan, New York: St Martin's Press, pp. 78–99.
- Freeden, M. (ed.) 1990. *Reappraising J. A. Hobson*. London: Allen and Unwin, especially chapters by Backhouse, Clarke and Cain. (Backhouse chapter reprinted in *Interpreting Macroeconomics* 1995)

*Institutionalism: Primary literature*

- Commons, J.R. 1931. 'Institutional economics', *American Economic Review* 21, December 1931, pp. 648–57; 'Institutional economics' *American Economic Review* 26, Supplement, March 1936, pp. 237–49.
- Veblen, T.B. 1898. 'Why economics is not an evolutionary science?' *Quarterly Journal of Economics* 12, July 1898, pp. 373–97.
- Mitchell, W.C. 1925. 'Quantitative analysis in economic theory', *American Economic Review* 15:1–12; reprinted in Mitchell *The Backward Art of Spending Money and Other Essays* (1937), pp. 20–36.

*Secondary literature*

- Backhouse, R.E. 1985. *A History of Modern Economic Analysis* (1985), pp. 221–35.
- Rutherford, M. 1981. 'J.R. Commons's institutional economics', *Journal of Economic Issues* 17(3), 721–44.
- Walker, D.A. 1977. 'Thorstein Veblen's economic system', *Economic Inquiry* 15, 1977, pp. 213–37.
- Rutherford, M. 1997. American institutionalism and the history of economics. *Journal of the History of Economic Thought* 19 (2):178-95.
- 📖 ---. 1999. Institutionalism as 'scientific' economics. In *From Classical Economics to the Theory of the Firm: Essays in Honour of D.P. O'Brien*, ed. R. E. Backhouse and J. Creedy, 223-42. Cheltenham: Edward Elgar.
- Rutherford, M. 1994. *Institutions in Economics: The Old and the New Institutionalism*. Cambridge: Cambridge University Press.
- Friedman, M. 1950. 'Wesley C. Mitchell as an economic theorist', *Journal of Political Economy* 58(6), 1950, pp. 465–95.

### 20.Heterodox economics, II/Methodology IV: Contemporary Heterodoxy\*

*General*

- Backhouse, R. E. 'A suggestion for clarifying the study of dissent in economics', *Journal of the History of Economic Thought*, forthcoming June 2004.
- Blaug, M. 1990. *Economic Theories, True or False? Essays in the History and Methodology of Economics*. Cheltenham: Edward Elgar. Especially chapters 1-3 and 10.
- 📖 Coats, A. W., R. E. Backhouse, C. D. W. Goodwin, S. C. Dow, and D. Fusfeld. 2000. Symposium on progress in heterodox economics. *Journal of the History of Economic Thought* 22 (2).

- De Marchi, N., and M. Blaug, eds. 1991. *Appraising Economic Theories: Studies in the Methodology of Research Programmes*. Cheltenham: Edward Elgar.
- Desai, M. 1991. The underworld of economics: heresy and heterodoxy in economic thought. In *Economics, Culture and Education: Essays in Honour of Mark Blaug*, ed. G. K. Shaw, 53-63. Cheltenham: Edward Elgar.
- Dow, S.C.. 1996. *The Methodology of Macroeconomic Thought: A Conceptual Analysis of Schools of Thought in Economics*. Cheltenham: Edward Elgar. (Second edition of Dow 1985. *Macroeconomic Thought: A Methodological Approach*. Oxford: Basil Blackwell.)
- Moseley, F. 1995. *Heterodox Economic Theories: True or False?* Cheltenham: Edward Elgar.

*Post Keynesian economics*

- Harcourt, G. C., and O. Hamouda. 1988. Post-Keynesianism: from criticism to coherence? *Bulletin of Economic Research* 40:1-33. (Reprinted in Harcourt 1992. *On Political Economists and Modern Political Economy: Selected Essays of GC Harcourt*. London: Routledge. Edited by Claudio Sardoni.)
- Backhouse, R. E. 1988. The value of post Keynesian economics: a neoclassical response to Harcourt and Hamouda. *Bulletin of Economic Research* 40:35-41. (Reprinted in Backhouse 1998. *Explorations in Economic Methodology: From Lakatos to Empirical Philosophy of Science*. London: Routledge.)

*Austrian economics*

- Backhouse, R. E. 2000. Austrian economics and the mainstream: a view from the boundary. *Quarterly Journal of Austrian Economics* 3(2): 31-43.
- Vaughn, K. I. 1990. The Mengerian roots of the Austrian revival. *History of Political Economy* 22 (Annual Supplement):379-407.
- . 1994. *Austrian Economics in America: The Migration of a Tradition*. Cambridge: Cambridge University Press.
- . 1998. Does Austrian economics have a useful future? *Advances in Austrian Economics* 5:3-14.

**21. To be arranged**

**22. To be arranged**

**23.Seminars 1-2**

**24.Seminars 3-4**

## ASSESSMENT

This is based on two essays, to be handed in at a date to be agreed with Pedro Texeira.

**Essay 1:** This is to be on a topic of your own choice, ideally related to your research interests/proposed thesis topic, *agreed with me in advance*. As with any research project, formulating the question is as important.

(1) During the first week, you are encouraged to discuss ideas with me informally. I plan to be around most of the day on Friday, for a short time after lectures and in mid-lecture breaks, and shortly before the Saturday lecture. You should then begin to think and read about the topic during the following two weeks.

(2) In the last session in the second week, you will talk for 5-10 minutes (**maximum**) on your topic and we will discuss it for short time. The aims of this session are: (a) to help focus your thoughts at an early stage; (b) to give you confidence about presenting the topic in English; (c) to give you ideas about how to write the essay (these will come from fellow-students as much as from me). This should be a very preliminary presentation – finished papers are NOT expected. If you wish to provide a handout, I suggest that it should be no more than **one or two sides**. If you end up doing something completely different, or do not get anything coherent at this stage, *that does not matter*.

(3) In the last week, more complete papers will be presented and discussed. If you wish to show me a draft either before or after the seminar, you are welcome to do so. You will then have an opportunity to revise the paper before handing it in.

*Length:* At your discretion, though I may advise you to cut it, so do not make it longer than you need.

If you wish to discuss essays when I am not in Porto, you may either contact me by email, or discuss them with Pedro Texeira.

**Essay 2:** This is to encourage you to think about material covered in the course and to demonstrate that you have been able to think critically about alternative historical interpretations of episodes in the history of economics. You will obviously have to rely on secondary sources for most of your material, but you should be prepared to read and use primary sources to help you decide between competing interpretations. Do not feel that you have to cover everything. Instead you should pick out the important points that you wish to discuss, think of a thesis that you wish to argue, and bring in such evidence as it necessary to support that thesis.

1. To what extent was Keynes portrayal of his *General Theory* as marking a sharp break with a 'classical' orthodoxy, a piece of misleading advertising? [Note that this cannot be answered by simply describing in detail what Keynes said, or what moder textbooks say about Keynesian economics. It requires a willingness to think about what people actually wrote before Keynes, what came after, rather than simply accepting generalizations.]
2. Write a review of one of the following books, or a comparative review of more than one. [If you opt for just one, of course, you will find it profitable to look at the others too, as they are all on the relationship between mathematics and economics in the period from the 1930s to the 1950s.]

E.R. Weintraub *How Economics Became a Mathematical Science*.

N, Giocoli *Modeling Rational Agents: From Interwar Economics to Modern Game Theory*.

- P. Mirowski *Machine Dreams: How Economics Became a Cyborg Science*.
3. Write a retrospective appraisal of one of the following books:
- A. Marshall *Industry and Trade* (1919)
  - E. Chamberlin *The Theory of Monopolistic Competition* (1933).
- [This should place the book in historical context, and should evaluate ideas contained in the book in the light of more recent developments. You might, for example, pick out ideas that were initially ignored but have since been recognized, offering explanations about why this happened. You might also pick out ideas that you think deserve more respect than they have received, or even where the book went wrong. Be careful to distinguish, as far as possible, historical judgments from those you are making from your perspective as a modern economist.]

If you would like me to set a question on a different topic, you are welcome to discuss this with me **in advance** (or to suggest a question you wish I had asked). The main criteria are that there must not be excessive overlap with what you do for the other essay and that it must involve evaluation and assessment of historical context, not simply either recounting facts or applying modern theory.

*Length:* 2-3,000 words.