Economics Summer Programme Girton College, University of Cambridge

A Global History of Contending Economic Thoughts and Economic Paradigms

Like many other courses in economics this course consists of microeconomic and macroeconomic components. However, it takes a unique approach in that the microeconomic component is based on a selection of Nobel prize winners while one of the macroeconomic components takes a historical perspective. This combination of microeconomics and macroeconomics should make this a course of equal interest, both to those with a knowledge of economics and those with little or no background.

The following three parts of the course will each comprise 10.5 hours of lectures and 4.5 hours of seminars, making 15 hours of contact time per part:

- **Macroeconomics and its Economic, Political and Social Factors**
- **The Nobel Prize Winners**
- **Introduction to Cambridge Economics: Economics as Political Economy**

Contact Hours: 45 hours**.**

Assessment: Presentations, Final Papers & Participation.

Macroeconomics and its Economic, Political and Social factors

In 1980, Cambridge Economist Joan Robinson wrote an [pessimistic] essay advocating that theories and models in the economic textbooks needed a thorough spring cleaning. Notions such as ‘equilibrium in the long run’ were encouraged to be discarded and micro and macro were argued to be two quite different pictures that cannot be combined. Considering Robinson’s remarks rather glaring relevance to contemporary macroeconomics, this course provides students with fundamental insights within macroeconomic theory by emphasising its historical development. It expands on the critique of main macroeconomic theories and on issues regarding policy prescriptions. Finally, the course also explores the current content of textbooks on macroeconomics and their shortfalls.

Lecture 1 – Paradigms in Economics I: From Economic Analysis to Marginalism

- unpack foundational ideas in economics, how they emerged in specific historical phases and how they evolved in response to major economic transformations
- contrast the Classical Political Economy and the Marginalism paradigms.

Readings: Chang, Ha-Joon. 2014. (Chapters 1-5); Milonakis, D., & Fine, B. (2009). ‘Introduction’; Mazzucato, Mariana. 2018. (Chapters 1-2); Mirowski, P. (1984).

Further Readings: Darity, W. 2022; Galbraith, J. 1973; Heilbroner, Robert. 1996; Reinert, Erik S., 1995; Reinert, Erik S., 2012; Roncaglia, Alessandro. 2005. Varoufakis, Yanis. 1998.

Online materials

Economic History | How & How NOT to Do Economics with Robert Skidelsky: https://www.ineteconomics.org/perspectives/videos/how-and-how-not-to-do-economics

History of Economic Thought | How & How NOT to Do Economics with Robert Skidelsky: https://www.ineteconomics.org/perspectives/videos/how-and-how-not-to-do-economics

Is Economics a Science? | How & How NOT to Do Economics with Robert Skidelsky: https://www.ineteconomics.org/perspectives/videos/how-and-how-not-to-do-economics

Lecture 2 – Paradigms in Economics II: From Marginalism to Market Fundamentalism

- build and expand on the first lecture, Paradigms in Economics I: From Economic Analysis to Marginalism, to analyse the dominant market-centred economic paradigm – Neoclassical economics
- reflect on the different ways in which these ideas and paradigms have shaped different economic systems and informed a different understanding of their purpose, and mentioning other alternative approaches such as Evolutionary, Structuralist, Institutional and Developmental Economics

Readings: Alves, C., & Kvangraven, I. H. 2020; Backhouse, R. 2005; Bronk, R. 2013; Chang, H.-J. 2002; Simon, H. 1991.

Further Readings: Dequech, D. 2007; Dow, S. C. 1996; Dobusch, L., & Kapeller, J. 2012); Friedman, M. 2009; Lawson, T. 2013; Kaldor, Nicholas. 1972 Schmidtz, D., & Boettke, P. 2021.

Online materials

Five Reasons Why Economics Is Political | Economics for People with Ha-Joon Chang.

The Role of the State | Economics for People with Ha-Joon Chang.

Lecture 3 - Introduction: Keynesian Revolution

- Overview of macroeconomics before the 1930s, Classical Dichotomies and the Great Depression.
- Keynesian Revolution; Keynes' key concepts in opposition to the classical model.

Readings: Snowdon & Vane Chapters 1 and 2
Further Reading: Fine & Dimakou Chapters 1 and 3

Lecture 4 – Orthodox Keynesianism

- Orthodox Keynesianism's key concepts
    - Keynesian Cross
    - IS/LM

Readings: Fine & Dimakou Chapters 1 and 5; Snowdon & Vane Chapter 3
Further Reading: Mankiw & Taylor Chapter 10; Charles Chapter 10 and 11; Fine & Dimakou Chapter 2

Lecture 5, 6 & 7: Seminar: Joan Robinson and the Cambridge School of Economics

- Discussion of Joan Robinson's Spring Cleaning: its relevance and limits for today's Macroeconomics

Readings: Robinson, J. (1980) Spring Cleaning
Further Reading: Alves, C (2022) 'Joan Robinson on Marx: His Sense of Reality is Stronger', *Journal of Economic Perspectives*. 36(3), 1-19

Lecture 8 – Monetarism and New Classical School

- The 1970s economic crisis, the rise of Monetarism and New Classical Economics
- Key concepts: quantity theory of money, rational expectation and methodological individualism

Readings: Snowdon & Vane Chapter 4 and 5
Further Reading: Fine & Dimakou Chapter 8

Lecture 9 – The Demise of Macroeconomics

- Real Business Cycle Theory and New Consensus Macroeconomics
- New Keynesian School

Readings: Snowdon & Vane Chapters 6 and 7
Further Reading: Fine & Dimakou Chapter 9

Lecture 10 – What happened to the Keynesian Revolution?

- Modelling
- Short run vs long run
- Supply- vs demand-side analysis (short run vs long run analysis)

Readings: Fine & Dimakou Chapter 10 and 13; Snowdon & Vane Chapter

The Nobel Prize Winners

- This part of the course provides students with fundamental insights into microeconomic analysis by studying a selection of Nobel Prize winners in economics.
- Each lecture outlines one or two theoretical insights that have been developed by the Nobel Prize winners.
- The course also provides some background into the Nobel Prize winners themselves (including their life story, motivations, and their times).

Lecture 1 - Introduction
- Introduction to the Nobel Prize for economics and how to approach their economic models.

Lecture 2 – Ronald Coase
- Coase on his contribution in terms managing externalities and public goods.

Lecture 3 – Becker
- The Economic Analysis of the Law

Lecture 4 – George Akerlof
- Asymmetric information (the market for lemons) and subsequent literature

Lecture 5 - Robert Spence
- Signalling theory with a focus on education levels.

Lecture 6 - Kenneth Arrow
- Collective choice and the Impossibility Theorem.

Lecture 7 - Douglas North
- Institutional analysis, with a particular focus on the empirical literature that his contribution has spurred.

Lecture 8 - Elinor Ostrom
- Ostrom on non-state institutions.

Lecture 9: Finn Kydland and Edward Prescott
- Their concept of time inconsistency for policy makers.

Lecture 10 - The Behaviouralists: Kahneman and Thaler
- Conclusions

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Introduction to Cambridge Economics: Economics as Political Economy

This course aims to introduce students to the study of political economy, drawing from its original, interdisciplinary nature as revitalized in the Cambridge tradition. This approach interweaves economics, philosophy, and politics, conceptualizing political economy as a comprehensive social science. Contrasting with contemporary mainstream economics, this course traces the evolution of political economy from a holistic field into a distinct discipline, termed 'economics', defined by a specific methodological focus. The contribution of scholars from the University of Cambridge, notably Girton's own Joan Robinson, was instrumental in challenging the dominance of mainstream economics and reviving the discipline of political economy. Students will explore both the historical roots of the development of 'mainstream' economics and contemporary interpretations and critiques within the Cambridge tradition, emphasizing the importance of realism, ontology, social theory, and ethical theory in conceptualising economic phenomena and offering potential solutions at the level of economic policy.

<u>Lectures 1/2 – Introduction: From Political Economy to Economics</u>

- Overview of Classical Political Economy, the Marginalist revolution and the development of contemporary mainstream economics.

<u>Lectures 3/4 – The Cambridge Tradition</u>

- Introduction to the history and economic theories of Cambridge economists, including Alfred Marshall, John Maynard Keynes, Joan Robinson, Pierro Sraffa and Amartya Sen.

<u>Seminar 1</u>

Discussion-based session consolidating lectures 1–4 through guided questions, short exercises, and group discussion. Students will compare the assumptions and methods of classical political economy, marginalism, and the emerging Cambridge tradition, with particular attention to how different approaches conceptualise economic phenomena.

<u>Lectures 5/6 – The Cambridge Critique of Mainstream Economics</u>

- An investigation into the nature of mainstream economics and 'neoclassical' economics. Mainstream economics as de-ethicised scarcity theory with a methodological focus on mathematical deductivism. Conceptualizing 'neoclassical' economics through Veblen.

<u>Lecture 7 – Recent developments in Cambridge Economics: Social Positioning Theory</u>

- A discussion on the importance of social ontology and the Cambridge theory of social positioning.

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Seminar 2

Discussion-based session covering lectures 5–7. Students will work through questions on the methodological foundations of mainstream economics, the Cambridge critique of mathematical deductivism, and the relevance of social ontology and Social Positioning Theory for understanding economic and social phenomena.

Seminar 3/Assessment

The final session will consist of short group presentations. Students will apply the ideas developed throughout the course to a contemporary economic or social issue, identifying how it might be approached differently from the perspectives of mainstream economics and the Cambridge political economy tradition. Presentations will be followed by questions and discussion.

Lectures 1/2 : From Political Economy to Economics

Overview of Classical Political Economy, the Marginalist revolution and the development of contemporary mainstream economics.

Core reading

Ha-Joon Chang, Breaking the mould: an institutionalist political economy alternative to the neo-liberal theory of the market and the state, Cambridge Journal of Economics, Volume 26, Issue 5, 1 September 2002, Pages 539–559, https://doi.org/10.1093/cje/26.5.539

Suggested Readings

From Political Economy to Economics: Method, the social and the historical in the evolution of economic theory, by Dimitris Milonakis and Ben Fine, Routledge, 2009.
An Outline of the History of Economic Thought, by Ernesto Screpanti and Stefano Zamagni, Oxford University Press, 2005.
The Palgrave Handbook of Political Economy, by Ivano Cardinale, and Roberto Scazzieri, Palgrave Macmillan, 2018.

Lectures 3/4: The Cambridge Tradition

Introduction to the history and economic theories of Cambridge economists, including Alfred Marshall, John Maynard Keynes, Joan Robinson, Pierro Sraffa and Amartya Sen.

Core reading

Lawson, T, 1995, 'Expectations and Economics' in Dow, S and Hillard, J. eds, Keynes Knowledge and Uncertainty, Edward Elgar, Aldershot.

Suggested Readings

The Cambridge Revival of Political Economy, by Nuno Ornelas Martins, Routledge, 2014
Keynes, J. M, 1936, The General Theory of Employment, Interest and Money. Reprinted as The Collected Writings of John Maynard Keynes: The General Theory, Royal Economic Society, Vol VII, Macmillan, London. Chapter 12.
Crotty, J, 2019, Keynes Against Capitalism, Routledge London, chapter 17.

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Lectures 5/6: The Cambridge Critique of Mainstream Economics

An investigation into the nature of mainstream economics and 'neoclassical' economics. Mainstream economics as de-ethicised scarcity theory with a methodological focus on mathematical deductivism. Conceptualizing 'neoclassical' economics through Veblen.

Core reading

Lawson, T. (2021). Whatever happened to neoclassical economics?. Revue de philosophie économique/Review of Economic Philosophy, 22, 39-84. https://doi.org/10.3917/rpec.221.0039

Suggested Readings

Lawson, T. (2013). What is this 'school' called neoclassical economics?, Cambridge Journal of Economics, Volume 37, Issue 5, Pages 947–983. https://doi.org/10.1093/cje/bet027

Lawson, T. (2017). What is wrong with modern economics, and why does it stay so wrong?, Journal of Australian Political Economy, 80, 26-42. https://www.researchgate.net/publication/322029036_What_is_wrong_with_modern_economics_and_why_does_it_stay_wrong

Morgan, J. (2015). What's in a name? Tony Lawson on neoclassical economics and heterodox economics, Cambridge Journal of Economics, Volume 39, Issue 3, Pages 843–865, https://doi.org/10.1093/cje/beu041

Pratten, Stephen. 2021. "Veblen, Marshall and Neoclassical Economics." Journal of Classical Sociology: 1–26. https://doi.org/10.1177/1468795X211068999

Ragkousis, A. (2024). Amartya Sen as a Neoclassical Economist. Journal of Economic Issues, 58(1), 24–58. https://doi.org/10.1080/00213624.2024.2307785

Lecture 7: Recent developments in Cambridge Economics | Social Positioning Theory

A discussion on the importance of social ontology and the Cambridge theory of social positioning.

Core reading

Lawson, T. (2022). Social positioning theory. Cambridge Journal of Economics, 46(1), 1-39. Pages 1-24 most essential. https://doi.org/10.1093/cje/beab040

Suggested Readings

Lawson, T. (2015). 'The nature of gender'. In S. Pratten (Ed.), Social ontology and modern economics (pp. 485-506). Routledge.

Lawson, T. (2019). The Nature of Money and Possibility of Cryptocurrency Money. In M. Seiferling (Ed.), Crypto Currencies and the Future of Money IE Center for the Governance of Change.

Martins, N. O., (2022). Social positioning and the pursuit of power, Cambridge Journal of Economics, Volume 46, Issue 2, Pages 275–292