

HISTORY OF ECONOMIC THOUGHT IN THE FACULTY OF ECONOMICS
AT SYDNEY UNIVERSITY

BY

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The teaching of the History of Economic Thought in the Faculty of Economics at the University of Sydney has been a striking feature of its economic syllabus for well over fifty years. In 1931, for example, the final year of the pass and honours course in Economics - Economics IV - was totally devoted to the study of economic classics under the guidance of the late Professor R.C. Mills. By the end of the 1930s, H.E.T. as it has become affectionately known, was established as a compulsory final year course in the Faculty in conjunction with Economics IV, and this situation continued until the early 1960s when the old, four year B.Ec. came to an end, a matter of continuing regret for many former graduates who, like me, had completed their degree under these old by-laws. In the post-war period up to 1960, H.E.T. teaching was conducted by John La Nauze, Cyril Renwick and the late Syd Butlin as well as by Kurt Singer, Ted Wheelwright, Jim Wilson and Bruce McFarlane. The importance of H.E.T. was recognised in the Faculty during this time by its special prize, The Randolph G. Rouse Prize, established in 1954, and by a series of reprints edited for the Faculty in the early 1950s which included The Bullion Report (1810), papers by Malthus, McCulloch, extracts from Mrs. Marcet's Conversations and Lloyds Lecture of Value (1834).

Older graduates will be pleased to learn that H.E.T., although not as important in the Faculty program as in the past, continues to make an important contribution to the training of economists and political economists in the University. About thirty to forty students take this subject each year as one of the eleven options offered in Economics III, while in most years of the last decade the majority of final year honours students have undertaken a study of the classics (Smith, Ricardo, Marshall, Marx or Wicksell) as one of their courses in Economics IV. Successful postgraduate studies in H.E.T. have also been completed at both the Ph.D. and M.Ec. (thesis only) level, made possible by the superb collection of economic classics in Fisher Library, supplemented by the microfiche reproduction of the complete holdings in Sydney of the Kress Collection at Harvard and the Goldsmiths' Library at London. Arrangements are currently underway for integrating H.E.T. with the honours course in Economic History at third year level. This teaching is now largely conducted by Flora Gill, Louis Haddad, Jim Wilson and myself.

Some further and wider developments in this important area of economic study may also be of interest to graduates. History of Economic Thought societies were established in the United States and United Kingdom in the late 1960s and hold regular conferences. An Australian society was founded in 1981 at the first H.E.T. Conference in Armidale. It is now publishing a regular Newsletter, and will hold its second conference at International House, University of Sydney, in May 1983. In addition, and thanks to generous financial assistance from the New South Wales Branch of the Economic Society of Australia and New Zealand, a new reprint series of Economic Classics is being undertaken to make scarce economic literature available (in English translation when appropriate) to students both here and abroad. The first in this second series, a reprint of the anonymous, Some Thoughts on the Interest of Money in General (1738), is in preparation and will be available later this year.* Although it has changed in the half century of its existence, the Sydney tradition of H.E.T. in the Faculty of Economics continues to flourish thereby continuing its valuable contribution to the making of economics graduates in Australia.

Listed below are course outlines for Economics III and Economics IV.

- * Copies of this reprint will be available on written application to P. Groenewegen, Department of Economics, University of Sydney, Sydney, N.S.W. 2006.

ECONOMICS III - 1982

HISTORY OF ECONOMIC THOUGHT : COURSE OUTLINE AND ESSAY LIST

The evolution of economic ideas from the early eighteenth century to the present day, with emphasis on the intellectual and social background which influenced the more important contributions, forms and the subject matter of this course. In Lent Term, after an introduction, the economics of physiocracy, of Adam Smith and David Ricardo, are studied in detail. In Trinity Term, nineteenth century economics is studied with special reference to the early criticism of Ricardo, the work of John Stuart Mill, the work of Marx, and the marginal revolution. Michaelmas Term deals with developments in twentieth century economics: the developments in neo-classical theory, the Keynesian revolution, and, time permitting a discussion of post-war economic theory in the areas of growth, distribution and economic policy.

Lectures are held on Monday and Wednesday at 11.00 a.m. in Merewether Lecture Rooms 4 and 3 respectively. The lecturers in the course are Peter Groenewegen (first term), Louis Haddad (second term) and Flora Gill (third term). Peter Groenewegen is also the lecturer-in-charge of the course.

Course Work

One essay due in third term of approximately 4,500 words in length. This will account for 50% of the final result. There is one three-hour examination paper at the end of the year which will count for the other 50% of the final result.

A list of essay topics and further details about the presentation of essays is included with this course outline.

Reading and Textbooks

This course is essentially a reading course, and students are urged to read as widely as possible from the large number of original texts and commentators which are available, especially in the Fisher Library. Students should also consult the specialist journal in the field, History of Political Economy, and the references to other journal literature provided in the Index of Economic Journals and in the Journal of Economic Literature.

Textbooks

- E.J. Barber, A History of Economic Thought (Penguin, 1977)
 C. Napoleoni, Economic Thought of the Twentieth Century, (Martin Robertson, 1972).
 P. Dean, The Evolution of Economic Ideas (Cambridge, U.P., 1978).

Additional References:

- E. Roll, History of Economic Thought
 O.H. Taylor, A History of Economic Thought
 J.A. Schumpeter, A History of Economic Analysis

- I. Rima, Development of Economic Analysis
 H. Landreth, History of Economic Theory
 B.B. Seligman, Main Currents in Modern Economics
 Jacob Oser and William C. Blanchfield, The Evolution of Economic Thought
 R.B. Ekelund and R.F. Herbert, A History of Economic Theory and Method
 M. Blaug, Economic Theory in Retrospect
 G. Routh, The Origin of Economic Ideas

Coursework

Coursework consists of one 4,500 words essay during the year. The completion of the essay is a pre-requisite for satisfactory completion of the course and will count for 50% of the final result.

Because the essay accounts for such a large proportion of the total result, students should take care to follow the procedure laid down in connection with essays, which is listed below.

The essay is due on 20 September, 1982. Essays should be typewritten double spaced, one on each side of the paper only with an adequate margin (5 cms) for comments. Each essay should be accompanied by a synopsis and a bibliography. Sources should be adequately documented in footnotes to the text, following the accepted principles for such documentation in academic journals. Excessively lengthy and late essays will be penalised.

All essays should have a title page stating name, title of short course, title of subject (i.e. Economics III), Faculty and year, and title of essay.

Essays should be submitted on or before the due date at the Faculty Office, Level 2, of the Merewether Building in the slot marked 'Economics'.

Essay Topics

Write a critical review of ONE of the following economic works. In writing this review remember that the course of study is the History of Economic Thought so that you should make sure that you place the work in its proper historical perspective, that is, either in terms of the development of the thought of the author, or in terms of the author's contemporaries and predecessors. The books for review are as follows:

1. Sir Dudley North, Discourses Upon Trade, 1661, Reprinted in J.R. McCulloch (ed.), Early English Tracts on Commerce, London 1856. Other editions available.
2. George Berkeley, The Querist, Containing Several Queries Proposed to the Consideration of the Public, Dublin (1735-1737), reprinted in the various editions of the Works of George Berkeley, edited by A.C. Fraser, or G. Sampson, or T.E. Jessop.
3. Sir James Stewart, Principles of Political Economy, 1767, Books I and II only. (The greater part was reprinted in 1966 in Scottish Economic Classics Series edited by A.S. Skinner).
4. James Mill, Commerce Defended (1808), Reprinted in D.N. Winch (ed.), James Mill. Selected Economic Writings, 1966.
5. Charles Babbage, On the Economy of Machinery and Manufactures, 1832.

6. A. Cournot, Researches on the Mathematical Theory of Wealth, 1838. (Various editions and reprints available).
7. W.S. Jevons, The Coal Question, 1864.
8. K. Marx, Value, Price and Profit, (1865), various editions available (frequently reprinted in Marx-Engels, Selected Works).
9. Irving Fisher, The Purchasing Power of Money, (1911)
10. J.M. Keynes, Tract on Monetary Reform (1923).
11. J.R. Hicks, A Contribution to the Theory of the Trade Cycle (1950)

If students wish to attempt a topic for an essay other than those listed, they should obtain permission from the lecturer-in-charge of the course prior to the conclusion of first term.

Preliminary research material for all these essays can be obtained from the list of basic references given on the previous page and this can be expanded by consulting the Index of Economic Journals and the abstracts in the Journal of Economic Literature on the History of Economic Thought. (Ref. 031).

TERM 1: THE RISE OF CLASSICAL POLITICAL ECONOMY

Topic 1: Introduction (7 lectures)

The first seven lectures provide a basic introduction to the study of the history of economic thought in general, and to the rise of classical political economy in particular. The first two of these lectures provide an insight into the subject itself, with particular reference to the course for this year, including some explanations of what is expected in the essay, and in the form of reading during the year. These lectures also discuss reasons for the study of the subject, including reasons why the history of economics is especially instructive for students of economics. There will also be a brief discussion on the history of the subject.

The third lecture presents a brief account of some of the basic features of Mercantilism and discusses the manner in which economics emerged as a science during the 17th and 18th centuries. The last four lectures illustrate this final theme by examining in more detail the work of the major seventeenth and eighteenth century economists up to and including the early 1750s.

Lectures 1 and 2 Introduction to the History of Economic Thought.

Lecture 3 Mercantilism and the Emergence of Economics

Lecture 4 Sir William Petty (1623-1687)

Lecture 5 John Locke (1632-1704)

Lecture 6 Richard Cantillon (1690-1734)

Lecture 7 David Hume (1711-1776)

Topic 2: The Zenith of 18th Century
Classical Political Economy: The Physiocrats and A. Smith (6 lectures).

The next 6 lectures discuss the two basic systems of political economy developed by Francois Quesnay in the 1750s and 1760s, the system developed by Turgot with particular reference to his theory of development in the Reflections, and the system of Adam Smith. Four lectures are given to the Physiocrats; two to Adam Smith; this is not because the Physiocrats are more important than Smith; it is because their works are less accessible and not as well covered in the secondary literature. The first of the four lectures presents a picture of the Physiocrats as a school, some of the historical background and a guide to the commentaries. The next two lectures deal with the work of Quesnay - first his general economic system, second an analysis of the Tableau economique. The fourth lecture presents Turgot - the bridge between Physiocracy and modern classical economics and especially Smith. The last two lectures deal with Adam Smith's economics in the Wealth of Nations, covering in particular the material in Books I and II.

Lecture 8 Introduction to Physiocracy (1756-1776)

Lectures 9 and 10 Francois Quesnay (1694-1774)

Lecture 11 A.R.J. Turgot (1727-1781)

Lectures 12 & 13 Adam Smith (1723-1790)

Topic 3: From Smith to Ricardo: Population and Gluts (2 lectures)

In these two lectures two major developments in economics will be discussed which occurred between the publication of the final edition of the Wealth of Nations in 1789 and the publication of the first edition of Ricardo's Principles of Political Economy in 1817. These are Malthus' Essay on the Principle of Population (first edition, 1798), which provided much of the background for the assumptions on which Ricardo constructed his analysis of distribution and growth, and the development of Say's Law by J.B. Say and by James Mill in the first decade of the nineteenth century. This period also marks that of the French Revolution and the Napoleonic Wars.

Lecture 14 T.R. Malthus (1766-1834) and the Principle of Population

Lecture 15 James Mill (1773-1836) and his "Principle"

Topic 4: David Ricardo (1772-1823)

In the two lectures devoted to Ricardo, his system of value and distribution will be examined in some detail. This work is not only important in its own right, but it is crucial for the understanding for much of the economic debate which is discussed in the next term. Ricardo's economics must therefore be especially carefully studied and assimilated by reading of his work.

Lectures 16 & 17. David Ricardo

Topic 5: Conclusion

The final lecture for first term will evaluate the developing of economics of the classical period and foreshadow some of the events which occurred in the latter part of the 19th century. It will also briefly discuss the difficult question of the meaning of classical political economy as defined by Marx, Keynes and in the more conventional view of history of the economic thought.

TERM 2: THE DECLINE OF RICARDIAN AND CLASSICAL ECONOMICS

This part of the course will examine the reasons for the decline of classical political economy and the emergence of the Marginal Revolution. Lectures will focus on the challenge and revolt, from various quarters, against the methodology and central ideas of the Ricardian school. The important contributions of J.S. Mill and Karl Marx will be discussed, particularly from the point of view of the decline of classical economics.

The course of lectures will be as follows:

Topic 6: Introduction (1 lecture)

A review of classical economics, the over-simplification and popularisation of Ricardo's ideas by James Mill, J.R. McCulloch and Thomas de Quincey.

Topic 7: Ricardo's Critics: The Subjective School (3 lectures)

These lectures deal with Senior, Bailey, Lloyd, Longfield and other forerunners of Marginalism.

Topic 8: The Ricardian Socialist (2 lectures)

These lectures deal with the Ricardian socialists: Hodgskin, Bray, Thompson, Gray and Owen.

Topic 9: J.S. Mill (4 lectures)

J.S. Mill's contribution to the final decline of classical economics.

Topic 10: Karl Marx (6 lectures)

Marx's critique of classical economics and analytical contribution.

Topic 11: The Emergence of the Marginal Revolution (2 lectures)TERM 3: THE DEVELOPMENT OF MODERN ECONOMICS: 1870 and AFTERTopic 12: Introduction (1 lecture)

An outline of the structure of the lectures given during the third term. The central theme, the general approach and the specific chapters of economic thought dealt with.

Topic 13: From Classical to Neo-Classical Economics (1 lecture)

A brief sketch of the historical evolution and juxtaposition of the structure of classical and neo-classical economics in terms of the central questions, the fundamental assumptions about the economic process, the concepts employed and the skeleton of their internal logic.

Topic 14: From Jevons, Menger & Walras to Marshall - Or From "The First Wave" of the Marginal Revolution to the Marshallian Synthesis". (2 lectures)Topic 15: The "Second Wave" of the Marginal Revolution; and the Emergence of a Number of Specific Propositions about the Distribution of Income, Welfare Economics, and the Role of Money (J.B. Clark, Wickseil and Wicksteed; Pareto and Pigou) (2 lectures).

- Topic 16: Ensuing Debates: The Role of Money, The 'Cost Controversy' and the Imperfection of Markets, (K. Wickseil, P. Sraffa, A. Young, J. Chamberlain, Joan Robinson, D.H. Robertson and J.M. Keynes) (3 Lectures).
- Topic 17: The Keynesian Revolution and the Emergence of Business Cycle Theory: Kalecki's Analysis Ragnar Frisch and Followers (4 Lectures)
- Topic 18: The Neo-Walrasian System (The Hicks-Allen System and its Further Elaboration. (1930-1960) (1 Lecture)
- Topic 19: Yet Other Pointers for Future Development of Economic Theory: Growth Models, Sraffa's System, Game Theory (2-3 Lectures)
- Topic 20: Conclusion: (a) Between Micro and Macroeconomics and (b) Contending Claims (2-3 lectures).

(Editor's Note: For further information on References and Additional Reading for the Lecture Topics, readers may contact:

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ECONOMIC CLASSICS

ECONOMICS IV - HONOURS 1982

This course is based on the method of studying the history of economic thought through a detailed discussion of three of the great classics of economic literature. The classics selected for this purpose are the following:

- Adam Smith - An Inquiry into the Nature and Cause of the Wealth of Nations. First Edition, 1776; Sixth and last edition 1791.
- David Ricardo - Principles of Political Economy and Taxation. First Edition, 1817; third and last edition, 1821.
- Knut Wickseil - Lectures in Political Economy (English Translation, London, 1938).

This method of studying the history of economic thought for final honours economics students seems to be suitable on several grounds. In the first place, although it covers two centuries, it places less demands on historical background and knowledge of the literature on the students as compared with a broad survey course or a more detailed historical analysis of a particular topic.

Secondly, it provides an opportunity for studying the whole of a classic at first hand rather than the distorted view obtained from a casual look at a chapter here or there. Finally, the study of these three classics illustrates some of the basic features of the history of economics; aspects of continuity as well as drastic changes in methods of approaching the subject and in tackling some of its major problems.

The course is divided into lectures and seminars; the terms commence with introductory lectures. The seminars scheduled for each term will be based on aspects of the three classics to be studied, so that students should try to obtain their own working copy of each. Two are available in paper covered editions, while in the introductory material to each term an indication is given of the best edition to use, and the editions currently available.

It should also be pointed out that this course is essentially a reading course, so that private study is the major course work apart from the occasional seminar paper. The amount of reading to be done is extensive. Seminar performance counts for 50% of the final result, which includes discussion in those seminars at which a student is not giving a paper.

TERM 1: ADAM SMITH AND THE EMERGENCE OF CLASSICAL ECONOMICS
(Lectures and Seminars: Professor P.D. Groenewegen)

This term will deal with an analysis of the rise of classical economics in the eighteenth century as seen through the greatest work of the epoch. Smith's great classic will be studied in perspective with the English and French economics of the eighteenth century.

Introductory Reading

There is a wealth of material on the economics of Adam Smith in journal articles, in the history of economic thought texts, and in specialist studies on the subject in book form. The following list should therefore be taken as a guide only, and should be supplemented by the reading suggested in connection with the first two lectures.

Biography: The standard biography is still John Rae, Life of Adam Smith, re-issued with a lengthy introduction by Jacob Viner in 1965. Shorter accounts are:

Haldane, Life and Writings of Adam Smith, London, n.d.
Sir Alexander Gray, Adam Smith, London, 1948

Editions of the Wealth of Nations

The most accessible edition is that by Edwin Cannan, 2 volumes (published by Methuen), Modern Library Edition in 1 volume, this edition now published by University of Chicago Press*. There is a Penguin Edition (first three books only) edited with an introduction by A. Skinner. This would suffice for most of the course.

(* It can be purchased for \$11.95 (1980 price) from their distributors, Harper and Row, Unit 18, Valetta Building, Cnr. Campbell St. and Reserve Road, Artarmon.)

Economics. A brief analytical introduction to Smith's economics is provided by Mark Blaug, Economic Theory in Retrospect, Second edition, 1968, Chapter 2; and, from a different point of view by Maurice Dobb, Theories of Value and Distribution Since Adam Smith, Cambridge 1973, Chapter 2.

Lecture 1 Introduction

Introduction to the study of the history of economic thought. The emerging of economics as a science. Smith's treatise as an important landmark in the history of economics. Its roots in the intellectual climate of the eighteenth century. The philosophical heritage and the influence of "mercantilism" on Smith.

<u>Seminar 1</u>	The Division of Labour
<u>Seminar 2</u>	The Theory of Money, Banking and the Value of Money
<u>Seminar 3</u>	The Theory of Natural Value and Market Value
<u>Seminar 4</u>	The Theory of Distribution
<u>Seminar 5</u>	Adam Smith and the Theory of Growth
<u>Seminar 6</u>	The Legacy of Adam Smith

TERM 2: DAVID RICARDO: THE RISE OF CLASSICAL POLITICAL ECONOMY
(Lecturer: Professor P.D. Groenewegen)

This term will deal with the rise of classical political economy in the first half of the nineteenth century in England, as illustrated by the greatest theoretical work of the period: David Ricardo's Principles of Political Economy and Taxation. This work will be studied in perspective with the great economic issues of the period: the theory of population, with controversy over the Corn Laws and Say's Law.

Edition: The definitive edition of Ricardo's works is that published by the Royal Economic Society and edited by Sraffa in collaboration with M.H. Dobb. Students should use this in preference. Everyman has a paperback edition with an introduction by Donald Winch.

Introductory Reading

There is a wealth of material in Ricardo, in articles and commentaries. There is now also a good biography. David Weatherall, David Ricardo: A Biography: (The Hague, Martinus Nyhoff, 1976.)

N.B. No student should omit careful study of Sraffa's introduction to Vol. I of the Works.

Lecture 4 The Heirs of Adam Smith

The economics after the Wealth of Nations - the population controversy - the Bullion controversy - the controversy over Say's Law.

Lecture 5 David Ricardo (1772-1823)

Biographical sketch - Ricardo's introduction to economics - role in the bullion controversy - controversy over the recent question - the 'birth' of the Principles - further economic work and parliamentary career.

Seminar 6 The Theory of Value

Seminar 7 The Theory of Distribution

Seminar 8 The Machinery Question.

Seminar 9 The Controversy with Malthus Over the Accumulation of Capital.

Seminar 10 The Theory of Money and Banking

Seminar 11 The Theory of International Trade

TERM 3: KNUT WICKSELL AND THE SWEDISH SCHOOL
 (Lecturer: Associate-Professor J.R. Wilson)

The lectures and seminars are concerned primarily with a study of Wicksell's contributions to the theories of value, capital, money and fluctuations. For an understanding of the man students should read the biography by T. Gardlund-The Life of Knut Wicksell (Stockholm, 1958).

Lecture 1 Introductory Lecture

Wicksell's intellectual antecedents. Influence of European (continental) economists. Relation to the Classical School and to "radical" economists (e.g. Marx). The importance of (then) current policy issues and debates to the development of Wicksell's theory.

Lecture 2 The Theory of Value

Earlier theories; marginal productivity; basis of valuation; process of exchange in different market situations.

Lecture 3 Production and the Basic Concepts of Capital Theory

Generalization of marginal productivity theory; the product exhaustion theorem; the structural concept of capital and its relation to the rate of interest; the dynamics of changes in the capital structure and capital accumulation.

Lecture 4 Further Aspects of the Theory of Capital

Theory of capital formation; Wicksell Effect; Akerman problem; capital formation and economic fluctuations; effect on distributive shares of capital accumulation horizontal and vertical; and technological change.

Lecture 5 (a) Basic Monetary Theory

Cause of changes in the general level of prices; the concept of elasticity of bank credit, relation of money and natural rates of interest (return)

(b) Refinements and Extensions

Re-thinking the relation between natural, and market rates; regulation of the currency; credit variation and general price fluctuations; monetary norms, insulation of the economy from international price movements.

Lecture 6 Later views of Wicksell's Theory of CapitalLecture 7 Later Developments and Critiques of Wicksell's Monetary TheoryLecture 8 Summing up - Lecture/Discussion

Wicksell on social issues. The interrelation of theory and policy. Assessment of Wicksell's contributions to the development of economic thought.

(Editor's Note: *As before, interested readers who wish for further information on references and additional reading should contact Professor Groenewegen*)