



# ECON 7660

## History of Economic Thought

### General information

Instructor: Ennio E. Piano, Office 220, Honors College Building, [Ennio.Piano@MTSU.Edu](mailto:Ennio.Piano@MTSU.Edu)

Where: BUSINESS AND AEROSPACE BLDG S337

When: Thursdays, 6:00-9:00 PM

Office hours: Thursdays, 3:00-5:00 PM

### Course description and objectives

This class will introduce students to the development of some of the most important concepts and doctrines in economics. Each week, we will look into how different economists, going back to David Hume and Adam Smith and all the way to Daron Acemoglu, have thought about such concepts as “cost,” “equilibrium,” “competition,” “efficiency,” and so forth. By the end of this class, you should be familiar with the history of these and other economic doctrines as well as perceive their relevance to contemporary developments in economics.

### Important dates

- January 25<sup>th</sup>, Spring semester begins
- January 28<sup>th</sup>, First day of class
- March 1<sup>st</sup>, Take home final exam
- March 11<sup>th</sup>, Last day of class
- March 12<sup>th</sup>, Take home final exam due

### Grading

Your final grade will consist of a weighted average of the following:

- Leading in-class discussion (20%)
  - Each week starting on week two, two students will be entrusted with leading the discussion in the classroom.
- Class participation (30%)
  - This will depend on your contribution to the discussion of the reading materials in class each week
- A written final examination (50%)
  - Take home
  - You will have access to it on Monday, March 1<sup>st</sup> and will be due on Friday, March 12<sup>th</sup> at 12 noon.

## Plan of the class

The class will be structured as follows. Every week, you will be assigned several readings for class discussion. I recommend reading the assigned material very carefully and taking copious notes in the process. This will ensure that you'll be able to contribute effectively to class discussion.

### *Week 1: The method of economics*

Hume, D. *An Enquiry Concerning Human Understanding*, Section IV.

[https://infidels.org/library/historical/david\\_hume/human\\_understanding.html](https://infidels.org/library/historical/david_hume/human_understanding.html)

Hume, D. "Of Money," in *Essays Moral, Political, and Literary*.

[https://www.econlib.org/library/LFBooks/Hume/hmMPL.html?chapter\\_num=31#book-reader](https://www.econlib.org/library/LFBooks/Hume/hmMPL.html?chapter_num=31#book-reader)

Mises, L. von. *Human Action*, Introduction, Chapter I, Chapter II.

<https://oll.libertyfund.org/titles/mises-human-action-a-treatise-on-economics-fee-ed>

**Alchian, A. A. (1950). Uncertainty, evolution, and economic theory. *Journal of Political Economy*, 58(3), 211-221.**

Friedman, M. (1953). The methodology of positive economics. *Essays in Positive Economics*, 145-178.

Machlup, F. (1955). The problem of verification in economics. *Southern Economic Journal*, 22(1) 1-21.

**Becker, G. S. (1962). Irrational behavior and economic theory. *Journal of Political Economy*, 70(1), 1-13.**

Acemoglu, D. (2010). Theory, general equilibrium, and political economy in development economics. *Journal of Economic Perspectives*, 24(3), 17-32.

### *Week 2: Cost and value*

Wicksteed, P. *The Common Sense of Political Economy*, Chapter 1. <https://oll.libertyfund.org/titles/wicksteed-the-commonsense-of-political-economy>

Hicks, J. R., (1934). A reconsideration of the theory of value. Part I. *Economica*, 1(1), 52-76.

Mises, L. von. *Human Action*, Chapter IV. <https://oll.libertyfund.org/titles/mises-human-action-a-treatise-on-economics-fee-ed>

Buchanan, J. M. *Cost and Choice*, Chapters 1-3. <https://www.econlib.org/library/Buchanan/buchCv6.html>

**Stigler, G. J., & Becker, G. S. (1977). De gustibus non est disputandum. *The American Economic Review*, 67(2), 76-90.**

*Week 3: Information, knowledge, and economic calculation*

Mises, L. v. *Economic Calculation in the Socialist Commonwealth*. <http://hobbs4.people.clemson.edu/Economic%20Calculation%20in%20the%20Socialist%20Commonwealth.pdf>

Lange, O. (1936). On the economic theory of socialism: part one. *The Review of Economic Studies*, 4(1), 53-71.

Lange, O. (1937). On the economic theory of socialism: part two. *The Review of Economic Studies*, 4(2), 123-142.

Hayek, F. A. (1945). The use of knowledge in society. *The American Economic Review*, 35(4), 519-530.

Stigler, G. J. (1961). The economics of information. *Journal of Political Economy*, 69(3), 213-225.

Grossman, S. J., & Stiglitz, J. E. (1976). Information and competitive price systems. *The American Economic Review*, 66(2), 246-253.

*Week 4: Market power and competition*

Lerner, A. P. (1934). The Concept of Monopoly and the Measurement of Monopoly Power. *Review of Economic Studies*, 1(3), 157-175.

Chamberlin, E. H. (1937). Monopolistic or imperfect competition?. *The Quarterly Journal of Economics*, 51(4), 557-580.

Machlup, F. (1942). Competition, Pliopoly and Profit. *Economica*, 9(33), 1-23.

Machlup, F. (1942). Competition, Oligopoly and Profit. Part II. *Economica*, 9(34), 153-173.

Hayek, F. A. (2016). The meaning of competition. *Econ Journal Watch*, 13(2), 360-373.

Stigler, G. J. (1957). Perfect competition, historically contemplated. *Journal of Political Economy*, 65(1), 1-17.

Kirzner, I. M. (1997). Entrepreneurial discovery and the competitive market process: An Austrian approach. *Journal of Economic Literature*, 35(1), 60-85.

#### *Week 5: Division of labor*

Smith, A. *The Wealth of Nations*, Book 1, Chapters 1, 2, and 3.  
<https://www.econlib.org/library/Smith/smWN.html>

Ricardo, D. *Principles of Political Economy*, Chapter 7.  
[https://www.econlib.org/library/Ricardo/ricP.html?chapter\\_num=8#book-reader](https://www.econlib.org/library/Ricardo/ricP.html?chapter_num=8#book-reader)

Mises, L. von. *Human Action*, Chapter VIII. <https://oll.libertyfund.org/titles/mises-human-action-a-treatise-on-economics-fee-ed>

Stigler, G. J. (1951). The Division of Labor is Limited by the Extent of the Market. *Journal of Political Economy*, 59(3), 185-193.

Becker, G. S., & Murphy, K. M. (1992). The division of labor, coordination costs, and knowledge. *The Quarterly Journal of Economics*, 107(4), 1137-1160.

Langlois, R. N. (2003). Cognitive comparative advantage and the organization of work: Lessons from Herbert Simon's vision of the future. *Journal of Economic Psychology*, 24(2), 167-187.

#### *Week 6: Transaction costs, the Coase theorem, and property rights*

Coase, R. H. (1937). The Nature of the Firm. *Economica*, 4(16), 386-405.

Coase, R. H. (1960). The Problem of Social Cost. *Journal of Law and Economics*, 3, 1-44.

Cheung, S. N. (1970). The structure of a contract and the theory of a non-exclusive resource. *The Journal of Law and Economics*, 13(1), 49-70.

Cheung, S. N. (1983). The contractual nature of the firm. *The Journal of Law and Economics*, 26(1), 1-21.

Barzel, Y. (1985). Transaction costs: are they just costs?. *Zeitschrift für die gesamte Staatswissenschaft/Journal of Institutional and Theoretical Economics*, (H. 1), 4-16.

Holmstrom, B. (1999). The firm as a subeconomy. *Journal of Law, Economics, and Organization*, 15(1), 74-102.

Allen, D. W. (2002). The rhino's horn: incomplete property rights and the optimal value of an asset. *The Journal of Legal Studies*, 31(S2), S339-S358.

#### *Week 7: Efficiency and normative economics*

Hicks, J. R. (1939). The foundations of welfare economics. *The Economic Journal*, 49(196), 696-712.

Samuelson, P. A. (1954). The pure theory of public expenditure. *The Review of Economics and Statistics*, 387-389.

Bator, F. M. (1958). The anatomy of market failure. *The Quarterly Journal of Economics*, 72(3), 351-379.

Buchanan, J. M. (1959). Positive Economics, Welfare Economics, and Political Economy. *The Journal of Law & Economics*, 2, 124-138.

Staten, M., & Umbeck, J. (1989). Economic inefficiency: A failure of economists. *The Journal of Economic Education*, 20(1), 57-72.

Ogilvie, S. (2007). 'Whatever is, is right'? Economic institutions in pre-industrial Europe. *The Economic History Review*, 60(4), 649-684.

Leeson, P. T. (2020). Logic is a harsh mistress: Welfare economics for economists. *Journal of Institutional Economics*, 16(2), 145-150.

## COVID contingency plan

In case the University decided to move classes to remote delivery in the middle of the semester, the lectures will be delivered via Zoom. You will receive the link to the Zoom meeting in the hour before the scheduled lecture. Unless you email me in advance with a reasonable justification, you must turn your camera on during the meeting. If the move to remote delivery takes place before the end of the accelerated term, the final will be proctored online via ELearn.

## Academic Integrity/Misconduct

Please review the [information on Academic Integrity and Misconduct](#). Academic integrity is a hallmark of Middle Tennessee State University. We expect students to complete academic exercises, i.e., assignments turned in for credit, that are original and appropriately credit all sources used.

Academic misconduct includes, but is not limited to:

1. Plagiarism: The adoption or reproduction of ideas, words, statements, images, or works of another person as one's own without proper attribution. This includes self-plagiarism, which occurs when an author submits material or research from a previous academic exercise to satisfy the requirements of another exercise and uses it without proper citation of its reuse.
2. Cheating: Using or attempting to use unauthorized materials, information, or study aids in any academic exercise. This includes unapproved collaboration, which occurs when a student works with others on an academic exercise without the express permission of the professor. It also includes purchasing assignments or paying another person to complete a course for you.
3. Fabrication: Unauthorized falsification or invention of any information or citation in an academic exercise.

Going online and using information without proper citation, copying parts of other students' work, creating information to establish credibility, or using someone else's thoughts or ideas without appropriate acknowledgment is academic misconduct. If you have a question about an assignment, please ask me to clarify. All cases of academic misconduct will be reported to the Director of Student Academic Ethics and may result in failure on the test/assignment or for the course.

When students participate in behavior that is considered to be academic misconduct, the value of their education and that of their classmates is lessened, and their academic careers are jeopardized. Students guilty of academic misconduct are immediately responsible to the instructor of the class. In addition to other possible disciplinary sanctions (including expulsion from the university), which may be imposed through the regular institutional procedures as a result of academic misconduct, the instructor has the authority to assign an "F" or zero for an activity or to assign an "F" for the course. Students guilty of plagiarism will be immediately reported to the Director of Student Academic Ethics.

If using Turnitin.com to review work for originality, include information on how the tool is to be used, if the papers will be submitted to the Turnitin database and if students will have the opportunity to review the report generated.