

**SARAH LAWRENCE COLLEGE  
DEPARTMENT OF ECONOMICS**

**Introduction to Economic Theory and Policy**

2019-2020

Professor: Jamee K. Moudud

Office: Science Center 321

Email: [jmoudud@sarahlawrence.edu](mailto:jmoudud@sarahlawrence.edu)

Lecture: Tues & Thurs 9:00 am - 10:25 am in Titsworth Lecture Hall

Group Conferences: Mon or Wed 11:05 - 12:05 in Bates 206

**Course Description**

This yearlong lecture will, broadly speaking, cover introductory microeconomics and macroeconomics from a wide range of theoretical perspectives, including neoclassical, Post Keynesian, Marxian, feminist, and institutional political economy perspectives. The objective of the course is to enable you to understand the more “technical aspects” of economics (e.g. usage of supply/demand analysis within and outside neoclassical economics) as well as some economic history and the history of economic thought. The theoretical issues will be applied to contemporary policy debates such as the Green New Deal, inequality, healthcare, and international trade.

**Books (fall)**

Bowles, S., Edwards, R. & Roosevelt, F. (3<sup>rd</sup> or 4<sup>th</sup> edition with Mehrene Larudee). *Understanding Capitalism: Competition, Command, and Change*, New York, NY: Oxford University Press.

Hall, Robert E. and Marc Lieberman. 2013, 2010. *Microeconomics: Principles & Applications*. Sixth (or Fifth) ed. Mason, Ohio: South-Western, Cengage Learning.

**Assignments and Class Requirements**

- Attendance in all lectures and group conferences is mandatory unless you have a valid medical (or other unavoidable) excuse. Unexcused absences will be penalized.
- Please keep good notes on all the study questions (this means regular class and group conference attendance!). You will be given Take Home tests, which will be based on these questions only (and no others). Typically you will get 2 to 3 days for the Take Home tests which will of course be open book and can involve collaborative work.
- You will be required to submit mini-essays for some group conferences.
- No late papers will be accepted unless there are urgent extenuating circumstances.
- You are required to only attempt the numerical questions. You do not necessarily have to get the correct answers to get full credit.

**Students with Special Needs**

If you have special needs that require extra time on exams you should contact Polly Waldman at Disability

Services by email ([pwaldman@sarahlawrence.edu](mailto:pwaldman@sarahlawrence.edu)) or alternatively you can call this office at (914) 395-2235. The website of this office is: <http://www.slc.edu/offices-services/disability-services/index.html>.

If you need accommodation you need to contact Disability Services first, register with them, and provide me with a formal letter from this office.

## Syllabus

The syllabus below covers the entire fall semester and the early part of the spring semester. The rest of the spring semester will cover macroeconomics, including the discussion of money and foreign trade. Those sections will be added to the syllabus before the spring semester starts.

### FALL 2019

#### 1. **Inequality, “Deaths of Despair”, and the Far Right** (1 class)

World Inequality Database (<https://wid.world/>): Click on “Country Graphs” and select a country, e.g. the US.

“It’s Not Just Unfair: Inequality Is a Threat to Our Governance”

(<https://www.nytimes.com/2017/03/20/books/review/crisis-of-the-middle-class-constitution-ganesh-sitaraman.html?emc=eta1>)

“Shortchanged: Why British Life Expectancy Has Stalled”

(<https://www.nytimes.com/2019/08/30/world/europe/uk-life-expectancy.html>)

Monnat, Shannon. 2016. Department of Agricultural Economics, Sociology, and Education Research Brief *Deaths of Despair and Support for Trump in the 2016 Presidential Election*.

Rodríguez-Pose, Andrés. 2018. “The Revenge of the Places That Don’t Matter (and What to Do about It).” *Cambridge Journal of Regions, Economy and Society* 11(1): 189–209.

Case, Anne, and Angus Deaton. 2017. “Mortality and Morbidity in the 21st Century.” *Brookings Papers on Economic Activity* 2017(Spring): 397–476. (DON’T READ! JUST LOOK AT THE FOLLOWING CHARTS: FIGURE 1, FIGURE 2, FIGURE 3, FIGURE 5, FIGURE 6, FIGURE 11, FIGURE 17).

“The Trump Voters Whose ‘Need for Chaos’ Obliterates Everything Else”

(<https://www.nytimes.com/2019/09/04/opinion/trump-voters-chaos.html>)

*Reflection Question (not to be submitted):*

- (1) *How does Rodríguez-Pose (2018) connect geographic (spatial) inequalities to the rise of the Far Right? What evidence does he draw on? Do you agree with his argument?*
- (2) *What are the “deaths of despair” and how do they relate to support for the Far Right? Do you agree with this thesis?*
- (3) *What are the key patterns in the Case and Deaton (2017) charts? Briefly summarize.*

2. **Class, Gender, Race, and the Rise of Capitalism** (8 classes)  
Establishment of Capitalism and Private Property Rights (2 classes)

Hunt, E. K. 2002. *History of Economic Thought: A Critical Perspective*. Armonk, NY: M.E. Sharpe. Chapters 1 and 3 (pp. 43 - 50 & 62 - 64).

Bowles et al. *Understanding Capitalism: Competition, Command, and Change*, New York, NY: Oxford University Press. Chapter 6.

Marx, Karl *Capital* Vol. I (<https://www.marxists.org/archive/marx/works/download/pdf/Capital-Volume-I.pdf>). "Primitive Accumulation" (Part 8).

**GROUP CONFERENCE (WEEK 2)**

"Blame Economists for the Mess We're In: Why did America listen to the people who thought we needed 'more millionaires and more bankrupts?'"

<https://www.nytimes.com/2019/08/24/opinion/sunday/economics-milton-friedman.html>

Farmer, J. Doyne. 2013. "Hypotheses Non Fingo: Problems with the Scientific Method in Economics." *Journal of Economic Methodology* 20(4): 377-85.

Green, Tom L. 2013. "Teaching (Un)Sustainability? University Sustainability Commitments and Student Experiences of Introductory Economics." *Ecological Economics* 94(2013): 135-42.

*Mini-Essay Prompt (to be submitted in 4 days): Why is the study of neoclassical economics unlike that of physics and why is this of concern? Why does Applebaum in the New York Times article blame economists for our current problems?*

Hymer, Stephen. 1980. "Robinson Crusoe and the Secret of Primitive Accumulation." In *Growth, Profits, and Property: Essays in the Revival of Political Economy*, ed. Edward J. Nell. New York, NY: Cambridge University, 29-40.

Lazonick, William. 1974. "Karl Marx and Enclosures in England." *Review of Radical Political Economics* 6(2): 1-59.

*Reflection Questions (not to be submitted):*

(1) *What is primitive accumulation and how does it challenge the popular notion that capitalism arose when private thrifty individuals worked hard on property to create wealth? How does the notion of primitive accumulation make the study of economic development a fundamentally political process?*

(2) *Why was England the country in which capitalism first appeared? What aspects of English society contributed to its growth?*

(3) *Why are enclosures central to Marx's interpretation of the transition to capitalism?*

(4) *Describe the open field system that prevailed in England and Wales in the 12<sup>th</sup>/13<sup>th</sup> centuries. Describe a typical manor. Who owned what? Who performed what labor for whom? Why?*

(4) *What is commutation? Why did some lords commute labor services and in-kind rents? Discuss the impact of commutation. Why were some lords enclosing lands to raise sheep?*

(5) *Why is the differentiation of the peasantry important to Marx's interpretation of the transition?*

- (6) Describe both the economic and ideological impact of the Protestant Revolution.
- (7) Why did Poor Laws become necessary in the 16<sup>th</sup> c.? Describe the early Poor Laws.
- (8) What did Parliament do in 1646? Explain its significance.
- (9) In neoclassical economics foreign trade between nations is just like trade between individuals in the market where they trade different things with each other, e.g. X trades some of her nuts for some of Y's berries. How does Hymer challenge this simple model of market exchange?
- (10) Drawing on chapter 6 in Bowles et explain what the essential differences are between slavery, feudalism, and capitalism.

Rise of Capitalism and Gender (2 classes)

Humphries, Jane. 1990. "Enclosures, Common Rights, and Women: The Proletarianization of Families in the Late Eighteenth and Early Nineteenth Centuries." *The Journal of Economic History* 50(1): 17-42.

———. 2013. "The Lure of Aggregates and the Pitfalls of the Patriarchal Perspective: A Critique of the High Wage Economy Interpretation of the British Industrial Revolution." *Economic History Review* 66(3): 693-714.

*Reflection Questions (not to be submitted):* (1) What did the enclosure of the Commons entail and how does Humphries (1990) integrate gender inequalities into this process?

(2) Discuss how Humphries (2013) cautions us about the dangers of aggregation and what this implies for wage inequalities between males and females during the British Industrial Revolution.

GROUP CONFERENCE (WEEK 3)

Humphries, Jane. 2016. "The First Industrial Nation and the First 'Modern' Family." In *Gender Inequalities, Households and the Production of Well-Being in Modern Europe*, eds. Tindara Addabbo et al. Surrey UK and Burlington VT: Ashgate.

*Mini-Essay Prompt (to be submitted in 4 days):* "The male-breadwinner respectable working-class family of the late Victorian period, and its counterpart shored up by the welfare state in the twentieth century, was often more an ideal than a reality. Viewed over the long term, it also emerges as a historical outlier" (Humphries, 2016, p. 58). Discuss on the basis of Humphries' argument.

Race, Accounting, Technological Change, Finance, and the Law ( 4 classes)

New York Times 1619 Project (read all the articles)

(<https://www.nytimes.com/interactive/2019/08/14/magazine/1619-america-slavery.html>)

Beckert, Sven, and Seth Rockman. 2016. "Introduction." In *Slavery's Capitalism: A New History of American Economic Development*, eds. Sven Beckert and Seth Rockman. Philadelphia: University of Pennsylvania, 1-27.

#### GROUP CONFERENCE (WEEK 4)

Baptist, Edward E. 2016. "Toward a Political Economy of Slave Labor: Hands, Whipping Machines, and Modern Power." In *Slavery's Capitalism: A New History of American Economic Development*, eds. Sven Beckert and Seth Rockman. Philadelphia: University of Pennsylvania, 31-62.

*Mini-Essay Prompt (to be submitted in 4 days): How does Baptist challenge the view that slavery was a pre-capitalist (or pre-modern) political economic system? Explain how productivity (output per hour per slave-worker) growth in the slave-based economy was increased and how it contributed to the development of capitalism.*

Rood, Daniel B. 2016. "An International Harvest: The Second Slavery, The Virginia- Brazil Connection, and the Development of the McCormick Reaper." In *Slavery's Capitalism: A New History of American Economic Development*, eds. Sven Beckert and Seth Rockman. Philadelphia: University of Pennsylvania, 87-104.

Rosenthal, Caitlin. 2016. "Slavery's Scientific Management: Masters and Managers." In *Slavery's Capitalism: A New History of American Economic Development*, eds. Sven Beckert and Seth Rockman. Philadelphia: University of Pennsylvania, 62-87.

*Reflection Questions (not to be submitted):*

- (1) Pick four articles from *The New York Times 1619 Project* to explain how and why the contemporary racial disparities and tensions in the US can be traced back to the 19<sup>th</sup> century.
- (2) Explain how Rood relates technological change to slavery.
- (3) Accounting ledgers are at the heart of the business enterprise. How was its use central to business development during the slave period?

#### GROUP CONFERENCE (WEEK 5)

Boodry, Kathryn. 2016. "August Belmont and the World the Slaves Made." In *Slavery's Capitalism: A New History of American Economic Development*, eds. Sven Beckert and Seth Rockman. Philadelphia: University of Pennsylvania, 163-78.

*Mini-Essay Prompt (to be submitted in 4 days): How was slavery centrally connected to the development of banking and credit?*

Brophy, Alfred L. 2016. "The Market, Utility, and Slavery in Southern Legal Thought." In *Slavery's Capitalism: A New History of American Economic Development*, eds. Sven Beckert and Seth Rockman. Philadelphia: University of Pennsylvania, 262-76.

*Reflection Question (not to be submitted): How did the law play a central constitutive in creating the slave economy?*

### 3. The Surplus Approach, Keynes, and the Capabilities Approach (3 classes)

Bowles et al. *Understanding Capitalism: Competition, Command, and Change*, New York, NY: Oxford University Press. Chapters 2, 3, 4, 5.

*Reflection Question (not to be submitted):*

- (1) Explain the concept of the economic surplus and how different political economic systems shape the nature of class relations (capitalists/workers; slave owners/slaves; serfs/feudal landlords) and thus the ways in which the surplus is extracted.
- (2) How would you distinguish the neoclassical perspective from the political economy one (*Understanding Capitalism* chapters 2 and 3)? Summarize what you consider are three or four important differences between the two traditions from Table 3.1 in Bowles et al.
- (3) Explain the central aspects of the insights of Smith, Marx, Schumpeter, Keynes, and Sen.

#### **GROUP CONFERENCE (WEEK 6)**

Review of the surplus approach (chapter 5 in Bowles et al).

Using the *STAN: OECD Structural Analysis Statistics* to plot time series of gross operating surplus/employee compensation.

*Mini-Essay Prompt (to be submitted in the next Group Conference): Plot the gross operating surplus/employee compensation ratio over the time, along with its trend line, for two countries including the US. Briefly state what you see.*

### 4. Neoclassical Microeconomics (6 classes)

Hall, Robert E. and Marc Lieberman. 2013, 2010. *Microeconomics: Principles & Applications*. Sixth ed. Mason, Ohio: South-Western, Cengage Learning. Parts II, & III.

#### **GROUP CONFERENCE (WEEK 7)**

Hall & Lieberman: Chapter 3, question 2 (H&L 6<sup>th</sup>ed.) or Chapter 3, question 3 (H&L 5<sup>th</sup>ed.); & chapter 4, question 10 (H&L 6<sup>th</sup> ed.) or chapter 4, question 8 (H&TL 5<sup>th</sup> ed.).

Attempt and submit all of the above questions for the Group Conference.

#### **GROUP CONFERENCE (WEEKS 8 & 9)**

Hall & Lieberman: Chapter 5, questions 4, 10, and 12 (same in both editions of H&L).

Attempt all of the above questions for the Group Conference.

**GROUP CONFERENCE (WEEKS 10 & 11)**

Hall and Lieberman: Chapter 6, question 12; Chapter 7, question 8; Chapter 8, question 4

Attempt and submit all of the above questions for the Group Conference.

**5. Industrial Organization Theory: Neoclassical Economics versus Real-World Business Perspectives (12 classes)**

Hall, Robert E. and Marc Lieberman. 2013, 2010. *Microeconomics: Principles & Applications*. Sixth ed. Mason, Ohio: South-Western, Cengage Learning. Part IV (6 classes)

**GROUP CONFERENCE (WEEK 12 & 13)**

Hall & Lieberman: Chapter 9, question 4; Chapter 10, question 8; Chapter 11, question 4.

Attempt and submit all of the above questions for the Group Conference.

McNulty, Paul. 1967. "A Note on the History of Perfect Competition." *Journal of Political Economy* 75 (4): 395-39.

Schumpeter, Joseph. 1943/1992. "The Process of Creative Destruction" in *Capitalism, Socialism, and Democracy*, chapter VII, London and New York: Routledge, pp. 81- 86. Reprinted in Jack High (ed.), *Competition*, Northampton, MA: Edward Elgar.

Hayek, Friedrich. 1948. "The Meaning of Competition" in *Individualism and Economic Order*, chapter V, Chicago and London: University of Chicago Press, pp. 92-106. Reprinted in Jack High (ed.), *Competition*, Northampton, MA: Edward Elgar.

Dean, Erik et al. 2016. *Principles of Microeconomics: Scarcity and Social Provisioning*. OpenStax Economics, Principles of Economics. OpenStax CNX. May 18, 2016. Chapter 14 ("The Rise of Big Business"), chapter 15 ("Introduction to Costs and Prices"), chapter 16 ("The Megacorp"). (From free downloadable book: <https://openoregon.pressbooks.pub/socialprovisioning/>).

*Reflection Questions (not to be submitted):*

- (1) Explain how the insights of Friedrich Hayek, Joseph Schumpeter, and Adam Smith regarding business competition can be used to critique both perfect and monopolistic competition. What is problematic about the  $MR = MC$  pricing formula deployed in neoclassical theory? A good essay will highlight the key theoretical aspects of each of these models of competition.
- (2) Explain in what sense actual business enterprises differ from the textbook neoclassical models as discussed in Dean, Erik et al. 2016.
- (3) On the basis of the Dean et al reading, can it be argued that laissez faire existed in US business history (i.e. "free markets" with minimal government involvement and perfectly competitive firms)? Explain how politics acting through the law was central to the development of the corporation.

**GROUP CONFERENCE**

Hall, Robert E. and Marc Lieberman. 2013, 2010. *Microeconomics: Principles & Applications*. Sixth ed. Mason, Ohio: South-Western, Cengage Learning. Chapters 14 & 15.

Colander, D., 2010. *Economics*, McGraw-Hill. Chapters 21 & 23.

Hall and Lieberman: *Chapter 14, question 8 (same in both editions) and Chapter 15, question 2 (6<sup>th</sup> edition)*



## SPRING 2020

### **Books**

- 1) Chang, H.-J., 2008. *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*, New York, NY: Bloomsbury Press.
- 2) Hall, Robert E. and Lieberman, Marc. 2013. *Macroeconomics: Principles and Applications. 6th edition. Southwestern Cengage.*
- 3) *The Entrepreneurial State: Debunking Public vs. Private Sector Myths* by Mazzucato, Mariana
- 4) *Seeing like a State: How Certain Schemes to Improve the Human Condition Have Failed* by James C. Scott

All other books (Fried, Hayek, Suranovic, Vogel, and Wray) listed in the syllabus will be available as PDFs.

Since a central theme of this semester is the study of the intersection between economics, politics, and the law (i.e. Law and Political Economy or LPE) please sign up for a free subscription to Yale Law School's Law and Political Economy blog: <https://lpeblog.org/about/> so you get relevant updates on new articles that may interest you. I encourage you to browse this blog to get a deeper appreciation for what we will be doing this term.

For the first class please read <https://lpeblog.org/2017/11/06/law-and-political-economy-toward-a-manifesto> and the Introduction to a forthcoming symposium on methodology "Introductory Post to LPE Methods Symposium" (uploaded on MYSLC). My forthcoming article in it "The Constitutional Theory of the Business Enterprise: Toward a Monetary Theory of Production" (see below) is central to our class.

### **1. Neoclassical Macroeconomics : Being "Keynesian" in the Short Run and Neoclassical in the Long Run (3 classes)**

Hall, Robert E. and Lieberman, Marc. 2013. *Macroeconomics: Principles and Applications. 6th edition. Southwestern Cengage.* Chapters 3 (review from fall: quickly skim), 5, 6 through 8, 11, and 12

#### **GROUP CONFERENCES** (week of 1/27)

Review of target rate of return and full-cost pricing.

Hall & Lieberman chapter 8: question 4; chapter 11: question 2

#### **GROUP CONFERENCES** (weeks of 2/3 and 2/10)

Hall & Lieberman chapter 8: questions 6 and 8; chapter 11: questions 4 and 8; chapter 12 questions 2, 4.

Review

2. **Neoclassical Macroeconomics versus Keynes's Macroeconomics: Investment and Expectations** (5 classes)

Hall and Lieberman, 2013 chapter 15 (2 classes)

Bowles et al: Chapter 16 (2 classes)

Keynes, J. M. (1953). *The General Theory of Employment, Interest, and Money*. Chapter 12 "The State of Long-Term Expectation" (1 class)

(<https://www.marxists.org/reference/subject/economics/keynes/general-theory/ch12.htm>)

Keynes, John Maynard. 1937. "The General Theory of Employment." *The Quarterly Journal of Economics* 51(2): 209-23. (1 class)

*Reflection Questions:*

1. Explain how loanable funds (= savings) in neoclassical economics ensure that Say's law (which underpins supply-side economics) holds.
2. How in the neoclassical framework does an increase in government spending produce a partial "crowding out" of real GDP? How does the analysis of "crowding out" rely on whether or not the central bank keeps the money supply constant?
3. What happens to investment spending in a slump? Explain why in such a situation according to Keynes' aggregate demand (AD) and aggregate supply (AS) model an increase of government spending (G) will raise output and employment. In a slump what happens to output and employment in Keynes's framework if savings rise? He called this the paradox of thrift.
4. On the basis of what you have studied so far, how would you distinguish the neoclassical investment function, from that of Keynes? In other words, why would Say's law which is a key feature of neoclassical macroeconomics, not work if investment is a function of expected profits?
5. If investment is a function of expected profits why according to Keynes could the economy be "stuck" with long-term involuntary unemployment? Why would tax cuts to promote savings and investment not work if the economy is in a slump, when one conceptualizes investment in this way?

**GROUP CONFERENCE** (week of 2/17)

Hall & Lieberman Chapter 15 questions 2, 6, and 10.

3. **Political Economy Perspectives on Macroeconomics: the Role of Profits, Investment, and Employment** (2 classes)

Bowles et al: chapters 10 and 11

*Reflection Questions:*

1. What impact does business investment have on unit costs?
2. Consider what Keynes called the marginal efficiency of capital (MEC) which equals the expected profit rate ( $r$ ) minus the interest cost of credit ( $i$ ) to finance investment. Thus for Keynes (and real-world firms) investment =  $f(\text{MEC})$ . Suppose that in a slump when the expected  $r$  is falling and the interest rate  $i$  also falls (because of expansionary monetary policies by the central bank) so that

firms' borrowing costs decrease. Would you expect such a situation to create "full employment"? Discuss the complexity involved.

3. Suppose the bargaining power of labor declines and there is technological change. How would these affect the work effort per hour of labor ( $e$ ), the efficiency of labor ( $f$ ), and thus ultimately the profit rate and investment?

#### **GROUP CONFERENCE** (week of 2/24)

Bowles et al: chapter 12

*On the basis of the discussion of unit labor costs (ULC), the work effort per hour of labor ( $e$ ), and the efficiency of labor ( $f$ ) can you explain the rationale for global outsourcing to poorer countries sometimes with undemocratic political systems?*

*Can you explain on the basis of the above links between ULC,  $e$ , and  $f$  why Germany and Sweden are export powerhouses? In other words, what are the different ways in which the ULC could fall and the profit margin be raised to promote investment?*

*Can you resolve the apparent paradox of successful business investment-driven capitalism in both Germany/Sweden and China/Vietnam on the basis of the above relationship between ULC,  $e$ , and  $f$ ? [Hint: see your answer to question 3 in section 3].*

#### **4. The Public/Private "Divide": State versus Markets?** (5 classes)

Hayek, Friedrich A. 1982. *Law, Legislation and Liberty: A New Statement of the Principles of Justice and Political Economy*. London: Routledge Kegan & Paul Ltd. Pp. 55-93, chapters 9, 10, 14 through 18. (2 classes)

Horwitz, Morton J. 1982. "The History of the Public/Private Distinction." *University of Pennsylvania Law Review* 130: 1423-28. (1 class)

Mazzucato, Mariana. 2015. *The Entrepreneurial State: Debunking Public versus Private Myths*. Public Affairs. (2 classes)

#### *Reflection Questions:*

1. *What is the core difference between Hayek and Horwitz's discussions on the relationship between the public and private spheres? What does Hayek promote as a desired public policy vis-à-vis the economy?*
2. *What is Hayek's view of government's relationship to the economy and how does his argument relate to neoclassical economics? [Hint: think of his analysis of expectations and competition].*
3. *Does Hayek see wealth concentration, for example by large corporations, to be a threat to society? Discuss his view on this question.*
4. *What is the difference between law and legislation in Hayek? What is the relationship between the constitution and "economic efficiency" and "economic justice" in his perspective?*
5. *Provide some examples from Mazzucato regarding the role of the State in the promotion of innovation. Explain what uncertainty a la Keynes/Knight is and why has it traditionally necessitated the role of the state to promote long-term innovations? If investment is a function of the marginal efficiency of capital (= expected profit rate - interest rate), can you explain why private corporations and venture capitalists have been hesitant to finance very long-term "nation-building" investments (general purpose technologies such as say electricity or the internet), leaving it to the State to*

*promote such areas? In other words, what is Mazzucato's critique of the view that the "free market" promoted technological change?*

**GROUP CONFERENCE** (week of 3/2)

Lazonick, William. 2004. "Indigenous Innovation and Economic Development: Lessons from China's Leap into the Information Age." *Industry and Innovation* 11(4): 273-97.

*How does this article challenge the notion that China is a "socialist country"? What does this paper tell you about institutional variations of capitalism? Why does the study of history matter to understand long-term technological change? Explain using the central arguments in this paper including the nature of the business enterprise.*

**GROUP CONFERENCE** (week of 3/9)

Vogel, Steven K. 2018. *Marketcraft: How Governments Make Markets Work*. Oxford University Press. Chapters 1 through 3 and 5.

*Discuss the core aspects of Vogel's theoretical argument regarding the inseparability of governments and markets. What evidence does he provide?*

5. **Introduction to Law and Political Economy: What is Property and Why Does it Matter?** (3 classes)  
Read both "About" (<https://lpeblog.org/about/>) and "Law and Political Economy: Toward a Manifesto" by David Singh Grewal, Amy Kapczynski and Jedediah Purdy: (<https://lpeblog.org/2017/11/06/law-and-political-economy-toward-a-manifesto/>).

Fried, B.H., 1998. *The Progressive Assault on Laissez Faire*, Cambridge MA and London, England: Harvard University Press. Chap. 1 ("Introduction"), chap. 2 ("The Empty Idea of Liberty"), Chapters 3 ("The Empty Idea of Property Rights") and 6 ("Conclusion") (Both above readings: 2 classes)

Singer, Joseph William. 1998. "Property." In *The Politics of Law: A Progressive Critique*, ed. David Kairys. New York, NY: Basic Books, 240-58. (1 class)

*Reflection Questions:*

1. *Drawing on the Fried and Singer readings explain why a "free market" is an impossibility.*
2. *Why is it impossible to have absolute property rights where each owner has complete freedom over their property?*
3. *Discuss the central aspects of Hale's argument regarding liberty and property. Provide some concrete examples from the Singer article which could be used to debunk the traditional view of property rights. Drawing on Hale and Singer how could one argue that law/politics are not separate from the economy and are in fact constitutive of the economy?*
4. *What are the central differences between Hale and Hayek?*

5. *How is Mazzucato (2015) consistent with the LPE view?*

**GROUP CONFERENCE** (week of 3/23)

Moudud, Jamee K. 2019. "Distributional Struggles Always Operate Under the Background Laws That Determine Property, Contracts, and Torts." *Law and Inequality: A Journal of Theory and Practice* XXXVII. (Special Issue on "Eleven Things They Don't Tell You About Law & Economics: An Informal Introduction to Political Economy and Law". Guest Editor: Frank Pasquale).

*Explain why the notion of "market failure" is an impossibility in the LPE view. How could you relate the Moudud (2019) article to the discussion of unit labor costs (ULC), the work effort per hour of labor (e), and the efficiency of labor (f) in Bowles et al.? In other words, how can it be argued that an economy's background laws provide the context to business investment?*

6. **What is Money? Exogenous versus Endogenous Money and the Constitutional Theory of Money** (6 classes)

See "The Major Blind Spots in Macroeconomics: on Money" by John Lancaster in *The New York Times Magazine* February 7 2017 ([https://www.nytimes.com/2017/02/07/magazine/the-major-blind-spots-in-macroeconomics.html?\\_r=0](https://www.nytimes.com/2017/02/07/magazine/the-major-blind-spots-in-macroeconomics.html?_r=0)).

Hall and Lieberman. 2013. Chapters 13 and 14 (4 classes)

**GROUP CONFERENCE** (week of 3/30)

Hall & Lieberman Chapter 13 questions 2 and 8; chapter 14 questions 2 and 8

Wray, L.R., 1990. *Money and Credit in Capitalist Economies: The Endogenous Money Approach*. Chapters 1, 3, 4, and 5 (1 class)

Desan, Christine. 2016. "Money as a Legal Institution." In *Money in the Western Legal Tradition: Middle Ages to Bretton Woods*, eds. David Fox and Wolfgang Ernst. Oxford: Oxford University Press, 18-36. (1 class)

*Reflection Question (not to be submitted):*

1. *After briefly explaining the key differences between the endogenous and exogenous money approaches, explain how Christine Desan's monetary framework is in the former money tradition and what important new insight it provides. A good essay will need to explain how money is fundamentally sovereign in nature in Desan's framework, i.e. draw on the stakeholder model, "free" minting, and either the Crown's relationship with the Bank of England to create currency or the experience of the American colonial legislatures in the currency creation process.*

2. *Consider the neoclassical "crowding out" model (section 2 question 2). How would you critique it in*

*terms of the endogenous money framework?*

**GROUP CONFERENCE** (week of 4/6)

Review of Wray (1990) on endogenous versus exogenous money (especially chapter 3).

Hockett, Robert C., and Saule T. Omarova. 2018. "The Finance Franchise." *Cornell Law Review* 102: 1143-1218 (selected pages)

*How does the Hockett and Omarova (2018) article debunk the loanable funds doctrine of neoclassical economics?*

**7. Debates on Foreign Trade: Free Trade and its Critiques** (3 classes)

Power Point on the balance of payments.

Suranovic, Steve (1997-98). *International Trade Theory and Policy Analysis* (International Economics Study Center, Georgetown University). Chapters 60-0, 60-1a, 60-1b (1 class)

Hall and Lieberman chapter 17 (1 class)

**GROUP CONFERENCE** (week of 4/13)

Hall and Lieberman. 2013. Chapter 17 question 4 and 6

Chang, Ha-Joon. 2008. *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*. New York, NY: Bloomsbury Press. Prologue, chapters 1, 2, and 3 (1 class)

**GROUP CONFERENCE** (week of 4/20)

Chang, Ha-Joon. 2008. *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*. New York, NY: Bloomsbury Press. Prologue, chapters 5 and 9

## **GROUP CONFERENCE** (week of 4/27)

Shaikh, Anwar M. 2007. "Globalization and the Myth of Free Trade." In *Globalization and the Myths of Free Trade: History, Theory, and Empirical Evidence*, ed. Anwar M Shaikh. New York, NY: Routledge, 50–68.

Moudud, Jamee K. 2018. "Free Trade Free for All: Market Romanticism Versus Reality" (<https://lpeblog.org/2018/03/26/free-trade-for-all-market-romanticism-versus-reality/>).

### *Reflection Questions:*

1. Explain how the neoclassical trade model predicts full employment with balanced trade under free trade. What are its key assumptions?
2. Explain Shaikh's critique of the neoclassical trade model and what his alternative framework predicts in regards trade balances under free trade. In other words in his framework (a) why would not nominal exchange rate changes bring about balanced trade? (b) what role do unit costs of production (especially relative international unit labor costs) play in determining trade patterns thereby precluding balanced trade?
3. Go back to the questions of the Group Conference of 2/24. Can you explain how it might be possible to promote trade without a "race to the bottom"? How can Mazzucato (2015) be used to add to the argument made by Moudud (2018)? [Hint: think of industrial policy].
4. Consider the following quote from Shaikh (2007): "But as far as trade policy is concerned, both the history and competitive advantage theory suggest that the most appropriate procedure would be to consider trade liberalization in a selective manner, as individual industries become sufficiently competitive in the world market. To accomplish this would require a great social push, along with clear standards and deadlines on meeting the standards of the world market (Agosin and Tussie 1993: 25, 28)... Development must be brought back to the center of the picture, and a whole range of institutions and practises considered as alternatives (Rodrik 2001). In the final analysis, "[t]rade is a means to an end, not an end in itself" (Rodrik 2001: 29)." Comment in light of Chang, Mazzucato, Moudud, and the broader LPE framework. What does this say about varieties of industrial and social policies (VISP) in capitalism?
5. What are some of the key insights from Chang (2008) that challenge the neoclassical trade model?
6. In light of the VISP framework (see question 4) why would LPE scholarship reject the "China is cheating" or "China is a currency manipulator" type of rhetoric? [Parenthetically, similar accusations were made against Japan in the 1980s when it was export-led "miracle economy"].

## **8. The Public/Private "Divide" Again: the Limitations of State-Led Industrialization (1 class)**

Scott, James C. 1998. *Seeing like a State: How Certain Schemes to Improve the Human Condition Have Failed*. New Haven and London: Yale University Press.

*Reflection Question:*

*1. What are some of the key insights from Scott's book that make you concerned about the thrust of the arguments in Chang (2008) and Mazzucato (2015)?*

**GROUP CONFERENCE** (week of 5/4)

Moudud, Jamee K. "The Constitutional Theory of the Business Enterprise: Toward a Monetary Theory of Production" (LPE Blog: link will be sent)