

GRAD-E1239: International Economic Thought
Dr. Robert Lepenies



1. Course Contents and Learning Objectives

“Practical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.” J. M. Keynes, General Theory

This course will introduce students to major ideas, concepts, and theories in modern economic thought. We will examine important theoretical traditions in political economy while discussing their contemporary relevance. Each week, students will read classical texts that we will attempt to apply to contemporary academic and policy debates. Students will learn about concepts such as free markets, comparative advantage, protectionism, mercantilism, dependency, market socialism, ordoliberalism, neoliberalism, and economic justice. Students will learn how different ideas about what the economy is (and ought to be) has informed policy debates; likewise, students will learn how to engage with economic policy with a critical mind: what are the (normative and empirical) presuppositions that underlie specific policy proposals? How can they be defended and critiqued? At the end of the course, students will understand different currents of economic thought and their main ideas, recognize the historical context behind their different contributions and develop a broader set of tools with which to conceptualize, understand, and argue about real world economic problems.

After successful completion of this course, students will:

- be able to critically appraise selected classical works in economic thought
- have developed a multifaceted understanding of different ways of thinking about the economy and economics
- have improved their critical thinking, reading, and writing skills
- have learned to use concepts in economic thought when discussing current policy challenges
- have learned to recognize and critique normative presuppositions in different forms of economic argumentation
- have improved their ability to put write short, cogently argued essays that are structured, clear, and well written

2. General Readings

- Medema, S. G., & Samuels, W. J. (2004). *The history of economic thought: a reader*. Routledge.
- DeMartino, G., 2002. *Global economy, global justice: Theoretical and policy alternatives to neoliberalism*. Routledge.
- <http://www.Exploring-economics.com/en> (a new e-learning platform engaging with a variety of perspectives in economics)

3. Session Overview

Session	Session Date	Session Title
1	07.02.2017	Economic schools of thought and the role of normative arguments
2	14.02.2017	Mercantilism
3	21.02.2017	Classical Economic Thinkers: Adam Smith
4	28.02.2017	David Ricardo & Comparative Advantage
5	07.03.2017	Marxist Political Economy
6	14.03.2017	Import-Substitution and Dependency
Mid-term Exam Week: 20-24 March 2017 – no class –		
Note: there also will be no class on March 28, double session make-up date TBA		
7	04.04.2017	Austrian Economics, Chicago Economics and Neoliberalism
8	11.04.2017	Institutionalism and Contextual Economics
9	18.04.2017	Economic Justice
10	25.04.2017	Global Economic Justice
11	TBA	Session (1) Winners and Losers from Globalization
12	TBA	Session (2) Justice in Finance and Money

4. Course Sessions and Readings

Students are expected to have read the required readings for each session. I will discuss the readings of the subsequent class at the end of each session, highlighting key concepts to look out for.

Session 1: 07.02.2017	
Economic schools of thought and the role of normative arguments	
Aim	Understanding economic policy requires knowledge of both economic theories and the normative presuppositions on which they build. How can we study both? And why does this matter? Central concepts: empirical vs. normative assumptions, moral philosophy and economics; purpose of the economy vs. purpose of economics; is there an identifiable mainstream in economics? Is it neoclassical?
Required Readings	<ol style="list-style-type: none"> 1. https://www.exploring-economics.com/en/orientation/#compare (read the short sub-themes on ontology, epistemology, methodology, and axiology between different schools of economic thought today) 2. DeMartino, G. 2002. Global Economy, Global Justice. Pp. 1-52. (please read thoroughly) 3. Hausman, D. M. and McPherson, M. S. 2006. 'Appendix: How Could Ethics Matter to Economics?', in <i>Economic Analysis, Moral Philosophy and Public Policy</i>: Cambridge: Cambridge University Press, pp. 291–308.
Additional Readings	<ul style="list-style-type: none"> • https://www.exploring-economics.com/en/orientation/neoclassical-economics/ • Arnsperger, C. and Varoufakis, Y., 2006. What Is Neoclassical Economics? The three axioms responsible for its theoretical oeuvre, practical irrelevance and, thus, discursive power. <i>Panoeconomicus</i>, 53(1), pp.5-18. • Colander, D., Holt, R. and Rosser Jr., B., 2004. The changing face of mainstream economics. <i>Review of Political Economy</i>, 16(4), pp.485-499. • Dobusch, L. and Kapeller, J., 2012. Heterodox United vs. Mainstream City? Sketching a framework for interested pluralism in economics. <i>Journal of Economic Issues</i>, 46(4), pp.1035-1058.

Session 2: 14.02.2017	
Mercantilism	
Aim	What is mercantilism? Overview of different variants of mercantilist thinking. Concepts discussed: power and wealth; economics vs. politics; economic statecraft

Required Readings	<ol style="list-style-type: none"> 1. Viner, J. 1948. 'Power vs. Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries', <i>World Politics</i>, 1, pp.1–29. 2. Bastiat, F., 1845. A petition from the manufacturers of candles, tapers, lanterns, sticks, street lamps, snuffers, and extinguishers, and from producers of tallow, oil, resin, alcohol, and generally of everything connected with lighting. <i>Sophismes Économiques</i>. Accessible online: http://bastiat.org/en/petition.html
Additional Readings	<ul style="list-style-type: none"> • 'Thomas Mun & England's Treasure by Forraign Trade or the Ballance of our Forraign Trade is the Rule of our Treasure (1664)' in Medema, S. G., & Samuels, W. J. (2004). <i>The history of economic thought: a reader</i>. Routledge. pp. 30-44. (skim but read the introduction) • Levi-Faur, D. 1997. 'Friedrich List and the Political Economy of the Nation-State', <i>Review of IPE</i>, 4(1), pp. 154–78. (skim but take note of main argument) • Irwin, D. A. 1996. 'Against the tide: an intellectual history of free trade.' Princeton University Press, 1996. Chapters 2 & 8 • Baldwin, D. A. 1985. 'Economic statecraft' Princeton University Press. Chapter 5 • Helleiner, E. 2002. 'Economic Nationalism as a Challenge to Neoliberalism? Lessons from the 19th Century', <i>International Studies Quarterly</i> 46(3), pp. 307–29.

Session 3: 21.02.2017

The Classical School – Adam Smith

Aim	Introduction to <i>Wealth of Nations</i> and the classical liberal case for free trade; Discuss Smith's 'invisible hand', his 'system of perfect liberty', his attack on mercantilism; normative presuppositions in Smith's work, and their representation and relevance to economic arguments today
Required Readings	<ol style="list-style-type: none"> 1. "The Classical School", "Adam Smith" Medema, S. G., & Samuels, W. J. (2004). <i>The history of economic thought: a reader</i>. Routledge. pp.131–133; 153-179. 2. Rothschild, E. (1994). Adam Smith and the invisible hand. <i>The American Economic Review</i>, 84(2), 319-322. (skim but make sure to get the main point)
Additional Readings	<ul style="list-style-type: none"> • Mandeville, Bernard (1732) <i>The Fable of the Bees: Or, Private Vices, Public Benefits</i>, reprinted in two volumes with commentary by F. B. Kaye, Oxford: Oxford University Press, 1924. Or accessible online: https://en.wikipedia.org/wiki/The_Fable_of_the_Bees • Boucoyannis, D. 2013. The Equalizing Hand: Why Adam Smith Thought the Market Should Produce Wealth without Steep Inequality. <i>Perspectives on Politics</i>, 11(04), 1051-1070. • Irwin, D. A. 1996. 'Against the tide: an intellectual history of free trade.' Princeton University Press, 1996. Chapters 5 and 6 • Hirschman, A. O., 1997. <i>The passions and the interests: Political arguments for capitalism before its triumph</i>. Princeton University Press.

	<ul style="list-style-type: none"> • Schumacher, R., 2012. Adam Smith's theory of absolute advantage and the use of doxography in the history of economics. <i>Erasmus Journal for Philosophy and Economics</i>, 5(2), pp.54-80.
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Session 4: 28.02.2017

David Ricardo and Comparative Advantage

Aim	Introduction to comparative advantage, the most important concept in economic trade theory. What is economic rhetoric? Is Ricardo's and Krugman's use of the concept rhetorical? If you are not familiar with neoclassical trade theory, make sure to read the relevant chapters in Krugman, Obstfeld and Melitz (2015).
Required Readings	<ol style="list-style-type: none"> 1. "David Ricardo: Introduction", "Chapter 7 of Principles of Political Economy" Medema, S. G., & Samuels, W. J. (2004). <i>The history of economic thought: a reader</i>. Routledge. pp.256-258; 282 – 290. 2. Krugman, P. unpublished Op-Ed (1990s): Ricardo's Difficult Idea http://web.mit.edu/krugman/www/ricardo.htm 3. McCloskey, D. N., 1983. The rhetoric of economics. <i>Journal of Economic Literature</i>, 21(2), pp.481-517.
Additional Readings	<ul style="list-style-type: none"> • Viner, J., 1960. The intellectual history of laissez faire. <i>The Journal of Law & Economics</i>, 3, pp.45-69. • Krugman, P. R., Obstfeld, M. and Melitz, M., 2015. <i>International trade: theory and policy</i>. Pearson. Chapters 3-5.

Session 5: 07.03.2017

Marxist Political Economy

Aim	What is capitalism? And why would Marx favor free trade? Introduction to a critical account of capitalism and the scientific approaches that allegedly sustain it. Causes of and responses to modern economic crises. Is economic thought becoming more political? Or has it always been political?
Required Readings	<ol style="list-style-type: none"> 1. https://www.exploring-economics.com/en/orientation/marxist-political-economy/ 2. "Karl Marx" in Medema, S. G., & Samuels, W. J. (2004). <i>The history of economic thought: a reader</i>. Routledge. pp.256-258; 282 – 290. (Excerpts from Marx: Critique of Political Economy; Capital) 3. Jessop, B. Repoliticising depoliticisation: theoretical preliminaries on some responses to the American fiscal and Eurozone debt crises. <i>Policy & Politics</i> 42.2 (2014): 207-223.
Additional Readings	<ul style="list-style-type: none"> • Ghorashi, R., 1995. Marx on free trade. <i>Science & Society</i>, pp.38-51. • Engels, F. 1888. On the Question of Free Trade. Preface of pamphlet. Accessible online at: https://www.marxists.org/archive/marx/works/1888/free-trade/

Session 6: 14.03.2017**Import substitution and dependency theory**

Aim	Can protectionism be a viable development strategy? Did developing countries practice what they preach? Cepalismo, Import-Substitution Industrialization, and hypocrisy in international economic thought
Required Readings	1. Chang, H. J., 2003. Kicking away the ladder: Infant industry promotion in historical perspective. <i>Oxford Development Studies</i> , 31(1), pp.21-32.
Additional Readings	<ul style="list-style-type: none"> • Prebisch, R., 1976. A critique of peripheral capitalism. <i>Cepal Review</i>. • Milberg, W. 1994. "Is Absolute Advantage Passe? Towards a Keynesian /Marxian Theory of International Trade", in <i>Competition, Technology and Money, Classical and Post-Keynesian Perspectives</i>, ed. Mark Glick, Edward Elgar, Great Britain. • Lewis, W. A., 1954. Economic development with unlimited supplies of labour. <i>The Manchester school</i>, 22(2), pp.139-191. • Krugman, P. R., Obstfeld, M. and Melitz, M., 2015. <i>International trade: theory and policy</i>. Pearson. Chapter 5

Mid-term Exam Week: 20-24 March 2017 – no class

****Note: there also will be no class on March 28****

Session 7: 04.04.2017**Austrian Economics, Chicago Economics, and Neoliberalism**

Aim	Hayek and Austrian Economics, Friedman and Chicago Economics; the birth of neoliberalism; Friedman on capitalism and freedom.
Required Readings	<ol style="list-style-type: none"> 1. Friedman, M. (1962). <i>Capitalism and Freedom: The Relation Between Economic Freedom and Political Freedom</i>. University of Chicago, 1962. Introduction and chs.1, 2, 7, 10, 12 and 13 2. Hayek, F. A., 1945. The use of knowledge in society. <i>The American economic review</i>, 35(4), pp.519-530. 3. Mirowski, P. and Plehwe, D., 2009. <i>The Road from Mont Pelerin</i>. Harvard University Press. Introduction
Additional Readings	<ul style="list-style-type: none"> • Friedman, Milton. "The methodology of positive economics." <i>The philosophy of economics: An anthology 2</i> (1994): 180-213. • Read, J., 2009. A genealogy of homo-economicus: Neoliberalism and the production of subjectivity. <i>Foucault studies</i>, pp.25-36. • Harvey, D., 2007. <i>A brief history of neoliberalism</i>. Oxford University Press, USA. • Bagus, P. 2015 Why Mirowski Is Wrong About Neoliberalism and the Austrian School. Accessible online: https://mises.org/library/why-austrians-are-not-neoliberals • Vanberg, V. J., The Freiburg School: Walter Eucken and Ordoliberalism. 2004. <i>Freiburg Discussion Papers on Constitutional Economics</i>, (04/11).

Session 8: 11.04.2017**Institutionalism and Contextual Economics**

Aim	What is institutional economics? What should the place of markets be in society? How should economics analyze markets? Embedded vs. disembedded markets; contextual economics.
Required Readings	<ol style="list-style-type: none"> 1. https://www.exploring-economics.com/en/orientation/institutionalist-economics/ 2. Polyani, K., 1944. The great transformation. <i>New York: Rinehart</i>, pp.209-227.
Additional Readings	<ul style="list-style-type: none"> • Hodgson, G. M. 2000. What is the Essence of Institutional Economics? <i>Journal of Economic Issues</i>, 34: 317-329. • Veblen, T. (1898) Why is Economics Not an Evolutionary Science? <i>Quarterly Journal of Economics</i>, 12: 373-397. (skim) • Goldschmidt, N., Grimmer-Solem, E. and Zweynert, J., 2016. On the Purpose and Aims of the Journal of Contextual Economics. <i>Schmollers Jahrbuch</i>, 136(1), pp.1-14.

Session 9: 18.04.2017**Economic Justice**

Aim	What should the economy look like? How can we make sure that economic institutions distribute burdens and benefits fairly? What does justice mean? What does it require in the economy?
Required Readings	<ol style="list-style-type: none"> 1. Nozick, R. 1974. <i>Anarchy, State and Utopia</i>, New York: Basic Books. (excerpts) 2. Rawls, J. 1971. <i>A Theory of Justice</i>. (Excerpts): 3. DeMartino, G. <i>Global Economy, Global justice</i>, Chapter 3. (excerpts)
Additional Readings	<ul style="list-style-type: none"> • Anderson, E., 1990. The ethical limitations of the market. <i>Economics and Philosophy</i>, 6(02), pp.179-205. • Satz, D., 2010. <i>Why some things should not be for sale: The moral limits of markets</i>. Oxford University Press. • Sandel, M. J., 2012. <i>What money can't buy: the moral limits of markets</i>. Macmillan.

Session 10: 25.04.2017**International Economic Justice**

Aim	Is the global order unjust? Can there be global economic justice?
Required Readings	<ol style="list-style-type: none"> 1. Singer, "Famine, Affluence, and Morality," in Charles R. Beitz et al., eds., <i>International Ethics</i>, (Princeton University Press, 1985), pp. 249-61.

	2. Pogge, T., 2004. Assisting the global poor. <i>The ethics of assistance: Morality and the distant needy</i> , pp.260-88.
Additional Readings	<ul style="list-style-type: none"> • James, A., 2012. Fairness in practice: A social contract for a global economy. Oxford University Press. • Ronzoni, M., 2009. The global order: A case of background injustice? A practice-dependent account. <i>Philosophy & public affairs</i>, 37(3), pp.229-256. • Bres, H., 2016. Justice and International Trade. <i>Philosophy Compass</i>, 11(10), pp.570-579.

Session 11: TBA

Winners and Losers in Globalization

Aim	Should the losers of globalization be compensated? Pareto vs. Kaldor-Hicks efficiency; distributional effects
Required Readings	<ol style="list-style-type: none"> 1. Kanbur, R., 2003. Development economics and the compensation principle. <i>International social science journal</i>, 55(175), pp.27-35. 2. DeMartino, G. F., 2015. Harming irreparably: On neoliberalism, Kaldor-Hicks, and the Paretian guarantee. <i>Review of Social Economy</i>, 73(4), pp.315-340.
Additional Readings	<ul style="list-style-type: none"> • Lepenies, R., 2014. Economists as political philosophers: a critique of normative trade theory. <i>EUI Department of Law Research Paper No. MWP, 11</i>. • Rodrik, D. 2000 —How Far Will International Economic Integration Go? <i>Journal of Economic Perspectives</i>, 14, 1, pp. 177-186. • Rodrik, D.1997, <i>Has Globalisation Gone Too Far?</i> Washington, DC: Institute for International Economics. • Kletzer, L. G., 2004. Trade-related Job Loss and Wage Insurance: a Synthetic Review. <i>Review of International Economics</i>, 12(5), pp.724-748. • Bhaghati, J. 2004. In Defense of Globalization (New York: Oxford University Press). Afterword • Krugman, P. R., Obstfeld, M. and Melitz, M., 2015. <i>International trade: theory and policy</i>. Pearson. Chapter on Heckscher-Ohlin.

Session 12: TBA

Justice in Finance and Taxation

Aim	What would a just global financial and taxation system look like?
Required Readings	<ol style="list-style-type: none"> 1. Eichengreen, B., 1999. The Global Gamble on Financial Liberalization: Reflections on Capital Mobility, National Autonomy, and Social Justice. <i>Ethics & International Affairs</i>, 13, pp.205-226. 2. Best, J. 2003. Moralizing finance: the new financial architecture as ethical discourse, <i>Review of International Political Economy</i>, 10 (3), S. 579-603.

Additional Readings	<ul style="list-style-type: none"> Steiner, H., 1999. Just taxation and international redistribution. <i>Nomos</i>, 41, pp.171-191. Herzog, L., ed. 2017. Just Financial Markets? Finance in a Just Society. OUP Oxford. Introduction Dietsch, P. 2015. Catching Capital, The Ethics of Tax Competition. OUP. Introduction, Chapter 5. Life with or after tax competition.
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Final Exam Week: 8-12 May, 2017 – no class

5. General Information

Class Time	Tuesday, 12-14 (*note: there will be no class on March 28, double session make-up date TBA)
Venue	Room 2.32
Convener	Robert Lepenies
E-Mail	Robert.Lepenies@eui.eu
Office Hours	By appointment; I will respond quickly to email communication

Instructor Information:

Dr. Robert Lepenies is visiting fellow at FU Berlin (Center for Advanced Studies Justitia Amplificata). His research focus is on themes in the philosophy of economics and public policy. Recent interests include the ethics of economics, the legitimacy of using behavioral instruments in policy (“nudging”), and questions relating to the role of scientists in society. He holds a PhD from the Hertie School of Governance and has studied at the University of Oxford and the London School of Economics. He held post-doctoral positions at the European University Institute and Yale University, as well as at the Social Science Center Berlin (WZB) where he received the A.SK Social Sciences Post-Doctoral Prize. He recently won the inaugural WIWA Young Scholars Award for Pluralism in Economics, and is a member of the Global Young Academy.

6. Grading and Assignments

Students should come to class thoroughly prepared to discuss carefully and critically the assigned texts.

Reaction papers (60% of final grade)

Students are required to write five reaction papers (the best four of which will be graded) throughout the course. The papers should be made available by students online on a seminar discussion forum by 6 pm on the day before class. Slots should be chosen in the first week.

Reaction papers are short arguments that engage with the reading with a maximum length of 600 words. They should succinctly expand on one aspect of the reading and either provide a (policy) application, a critique, or an assessment of the argument discussed. No introduction or conclusion is necessary: precision is key to a good reaction paper. Their core purpose is to enable you to thoughtfully engage in class discussion. A good way to structure a reaction paper is by asking: what is the most important point made in the reading? Why is it important? Are the points made by the author still relevant today? What are the insights gained from the reading and (how) do they help us understand, evaluate, or shape economic affairs? What are the premises upon which the argument is built? Reactions will be graded according to how well the reading was understood and how original

the contribution is. A good way to conclude a reaction paper is by posing new questions that the material raises.

Students should aim to improve their writing skills during the course of the semester. Students should learn to be comfortable using concepts discussed in class and make arguments based on the material read. Papers should be well organized, clearly and logically argued, and free of errors. If you need additional help with your writing, please see me.

Whether in writing or in discussion, views must be supported by arguments (and informed by evidence). Thoughtful critique (of text, peers, and instructor) is very welcome, but should always be constructive: please critique the best version of the perspective you are challenging, rather than a straw-man version of it.

I will grade and comment on all reaction papers during the course, but not necessarily every week; I will return grades and comments for the first six sessions during mid-term exam week.

Group presentation and discussion (20% of final grade)

Every participant will take part in one group presentation and discussion. Presentations should focus on making 2-3 key points related to the session's readings, and attempt to find a contemporary application of the concepts discussed. What are the most intriguing/provocative/contestable aspects of the reading? Group presentations take place at the beginning of class and should last no longer than 15 minutes (with max. 3 presenters).

The group is also responsible for leading the class through the discussion of the text which should last no longer than 15 minutes. The core aim here is for the class to understand the readings better and to facilitate an exchange of views. Presenters should prepare questions for this discussion. The aim of the second part of the presentation is to help your fellow students understand the text (and its wider implications), and help start an informed debate about the persuasiveness of its core points. Slots will be determined in the first week. I am happy to advise on drafts of your presentation.

Participation and preparation (20% of final grade)

Students should engage with the arguments made in the texts and by their peers. Contributions to class discussion can consist of either making substantive points or raising interesting questions. Very good contributions build on and react to points made by others. Students are required to have read their colleagues' reaction paragraphs before the seminar and should be able to articulate their views on them in class. Students are expected to have prepared the readings (i.e., having written down notes and questions on the assigned texts and their peers' reaction paragraphs).

Attendance

Students are expected to be present and prepared for every class session. Active participation during lectures and seminar discussions is essential. If unavoidable circumstances arise which prevent attendance or preparation, please advise me by email with as much advance notice as possible. Please note that students cannot miss more than two sessions. For further information please consult the examination rules §4. Students who miss more than two session will be required to submit two additional reaction papers.

Use of electronic devices is discouraged – except for note taking.

Composition of Final Grade:

4 Reaction Paragraphs	60%
Group Presentation	20%
Participation and Preparation	20%

Late submission of assignments:

For each day an assignment is turned in late, the grade will be reduced by 10% (e.g. submission two days after the deadline would result in 20% grade deduction). Late submissions are especially discouraged as there will be no chance to discuss reaction papers in class after missing the deadline.

Academic Integrity:

The Hertie School of Governance is committed to the standards of good academic and ethical conduct. Any violation of these standards shall be subject to disciplinary action. Plagiarism, deceitful actions as well as free-riding in group work are not tolerated. See Examination Rules §11.

I strive to make the classroom atmosphere inclusive and welcoming. If you have any questions that you do not wish to raise during class, whether pertaining to course organization or material covered, please write me an email.



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