

Economics Summer Programme Girton College, University of Cambridge

A Global History of Contending Economic Thoughts and Economic Paradigms

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

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

- **Macroeconomics and its Economic, Political and Social Factors**
- **The Nobel Prize Winners**
- **Distributional Macroeconomics**

Contact Hours: 45 hours.

Assessment: Presentations, Final Papers & Participation.

Macroeconomics and its Economic, Political and Social factors

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

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

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

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

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

On-line materials

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

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

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

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

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

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

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

On-line materials

[Five Reasons Why Economics Is Political | Economics for People with Ha-Joon Chang.](#)

[The Role of the State | Economics for People with Ha-Joon Chang.](#)

Lecture 3 - Introduction: Keynesian Revolution

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

Readings: Snowdon & Vane Chapters 1 and 2

Further Reading: Fine & Dimakou Chapters 1 and 3

Lecture 4 – Orthodox Keynesianism

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

Readings: Fine & Dimakou Chapters 1 and 5; Snowdon & Vane Chapter 3

Further Reading: Mankiw & Taylor Chapter 10; Charles Chapter 10 and 11; Fine & Dimakou Chapter 2

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

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

Readings: Robinson, J. (1980) Spring Cleaning

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

Lecture 8 – Monetarism and New Classical School

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

Readings: Snowdon & Vane Chapter 4 and 5

Further Reading: Fine & Dimakou Chapter 8

Lecture 9 – The Demise of Macroeconomics

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

Readings: Snowdon & Vane Chapters 6 and 7

Further Reading: Fine & Dimakou Chapter 9

Lecture 10 – What happened to the Keynesian Revolution?

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

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

The Nobel Prize Winners

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

Lecture 1 - Introduction

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

Lecture 2 – Ronald Coase

- Coase on his contribution in terms managing externalities and public goods.

Lecture 3 – Becker

- The Economic Analysis of the Law

Lecture 4 – George Akerlof

- Asymmetric information (the market for lemons) and subsequent literature

Lecture 5 - Robert Spence

- Signalling theory with a focus on education levels.

Lecture 6 - Kenneth Arrow

- Collective choice and the Impossibility Theorem.

Lecture 7 - Douglas North

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

Lecture 8 - Elinor Ostrom

- Ostrom on non-state institutions.

Lecture 9: Finn Kydland and Edward Prescott

- Their concept of time inconsistency for policy makers.

Lecture 10 - The Behaviouralists: Kahneman and Thaler

- Conclusions

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Distributional Macroeconomics

This course introduces students to the key theories of income distribution within the context of macroeconomics. This allows the student to derive basic distributional insights from macroeconomic accounting identities. The course explicitly introduces the bi-directional causality between changes in the macroeconomy, and income inequality. Moreover, students learn how to derive Piketty's Fundamental Law of Capitalism ($r > g$) from a simple macro model.

Topics

- 1- Theories of Income Distribution and Stylised Facts.
- 2- Macroeconomic Accounting and Income Distribution: Closed Economy.
- 3- Macroeconomic Accounting and Income Distribution: Open Economy.
- 4- Piketty's Fundamental Law of Capitalism ($r > g$) in a Macroeconomic Model.

Learning Outcomes

On successful completion, you will be able to:

- 1- Obtain and analyse data on income distribution.
- 2- Explain and assess various theories of income distribution.
- 3- Identify and explain the nexus between key macroeconomic aggregates and income inequality.

Lecture 1 – Introduction: Theories of Income Distribution

- Overview of Neoclassical, Cambridge and Marxian theories of income distribution
- A survey of the key debate on growth vs. distribution

Lecture 2 – Stylised Facts

- Overview of income inequality in advanced and developing countries since World War II.
- Income inequality in the Gilded Age.

Lecture 3 – Macroeconomic Accounting and Income Distribution: Closed Economy

- Basic introduction to national income accounting in the case of a closed economy.
- Accounting identities are used to derive the Cambridge Equation of growth and distribution, and Kalecki's Profit Equation.

Lecture 4 - Macroeconomic Accounting and Income Distribution: Open Economy

- Formally derives the key determinants of income inequality in the open economy.
- External imbalances are analysed as inter-country (inter-capitalist) distributional conflict.

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Lecture 5 - Empirical Evidence: Europe

- Theoretical models are taken to data.
- A systematic survey of the evidence for how lower income inequality affects economic growth in Europe.

Lecture 6 – Empirical Evidence: USA and Developing Economies

- Explores whether a higher profit share or higher income inequality accelerates growth in the USA.
- Evaluates to what extent the growth-inequality tradeoff exists in developing economies.

Lecture 7 – Piketty’s Fundamental Law of Capitalism

- Derives Piketty’s Law of Capitalism: $r > g$.
- Compares and contrast the Cambridge Equation with Piketty’s Law of Capitalism.

Lecture 8 – Distributive Cycles and Crises

- Models a simple Goodwin cycle and extensions.
- Critically evaluates empirical evidence of Goodwin Cycles.

Lecture 9 – Key Debates I

- Functional vs. Personal Distribution of Income.
- Inequality within and between countries