

# ***THE INSTITUTE OF ECONOMIC AND POLITICAL STUDIES***

***CAMBRIDGE***

## **ECONOMIC THEORY: THE CAMBRIDGE TRADITION**

Prerequisites: Introductory Microeconomics and Macroeconomics

### **Course Description**

In the last quarter of the nineteenth century, the Cambridge economist Alfred Marshall dominated the "classical schools" of economic theory, centered on the analysis of marginal choices and on the efficiency of market outcomes. Half a century later, a pupil of Marshall's, John Maynard Keynes, explained the economic chaos which characterized the period between the two world wars by means of a theory which dominated policy making for decades to come.

Both Marshall and Keynes built upon foundations laid by the fathers of English and Scottish Political Economy, Adam Smith and David Ricardo above all. Keynes's successors integrated the Classics' "Theory of value and distribution" with Keynes's explanation of the overall level of economic activity, extending the theory from the "short run" to economic growth and structural change. Cambridge economists also brought formidable insights to the analysis of the international economy (trade policy, economic integration, financial instability).

A thematic course on the "Cambridge Tradition" in political economy, therefore, offers a unique historical insight into the fundamental concepts in economic analysis: exchange and production, general equilibrium and exogenous influences, perfect competition and modern theories of the firm, steady state growth and structural change, functional income distribution and inflation, automatic external adjustment and balance of payments policy. Participants will gain a deeper and more balanced understanding of the economist's standard analytical toolkit.

### **Lecture List**

WEEK 1	THE MARKET SYSTEM AND THE WEALTH OF NATIONS IN CLASSICAL POLITICAL ECONOMY
WEEK 2	SURPLUS, VALUE AND DISTRIBUTION
WEEK 3	FROM MERCANTILISM TO THE INTERNATIONAL DIVISION OF LABOUR
WEEK 4	ALFRED MARSHALL AND CAMBRIDGE MARGINALISM
WEEK 5	HISTORY AND ECONOMICS IN CAMBRIDGE
WEEK 6	FROM RICARDO'S "ON MACHINERY" TO DENNIS ROBERTSON: DISPROPORTIONALITY AND REAL BUSINESS CYCLE THEORY
WEEK 7	THE CLASSICAL VIEW OF THE INTERNATIONAL ECONOMY

WEEK 8	KEYNES'S GENERAL THEORY: UNCERTAINTY AND THE INVESTMENT DECISION
WEEK 9	THE KEYNESIAN REVOLUTION IN POLICY-MAKING
WEEK 10	FROM ROY HARROD TO NICHOLAS KALDOR: MACRODYNAMICS AND ENDOGENOUS GROWTH
WEEK 11	CAMBRIDGE AND THE MODERN THEORIES OF THE FIRM

### Reading List

Clarke, Peter	The Keynesian revolution and its economic consequences : selected essays
Coats, A.W.	"Sociological Aspects of British Economic Thought (ca. 1880-1930)", The Journal of Political Economy Vol. 75 no. 5. (October), pp. 706-729.
Deane, Phyllis	The Evolution of Economic Ideas and The State and the Economic System. An Introduction to the History of Political Economy, Oxford, Oxford University Press.
Harcourt, Geoff	"The Cambridge Contribution to Economics" in Ormrod, Sarah (ed.) Cambridge Contributions
Heilbroner, Robert Louis	The Worldly Philosophers: the lives, times, and ideas of the great economic thinkers. 6th edition (Penguin reprint 1991).
Johnson, Harry G.	"The Keynesian Revolution and the Monetarist Counter-Revolution" (Richard T. Ely Lecture), American Economic Review Vol. 61, No. 2, Papers and Proceedings of the Eighty-Third Annual Meeting of the American Economic Association. (May), pp. 1-14.
Keynes, J.M.	Essays in Biography, London, Macmillan.
Klamer, Arjo	"Conversation with Amartya Sen", Journal of Economic Perspectives Vol. 3, No. 1. (Winter, 1989), pp. 135-150.
Shackle, G.L.S.	The Years of High Theory. Invention and Tradition in Economic Thought 1926-1939
Skidelsky, Robert	John Maynard Keynes: a biography, London, Macmillan 3 vols; Vol. 2. The economist as saviour, 1920-1937; Vol. 3. Fighting for Britain, 1937-1946.
Viner, Jacob	"Marshall's Economics, in Relation to the Man and to His Times", American Economic Review Vol. 31, No. 2. (June), pp. 223-235.

### Method of Assessment

Weekly readings of specifically supplied extracts  
 Class presentation and discussion  
 Two 2500 word essays  
 Individual tutorials

Note: If enrolment for this particular course is too low for it to be held as a two hour seminar with two required essays per semester it may be possible to run it as a one hour supervision with three essays per semester.