

# New Ideas From Dead Economists

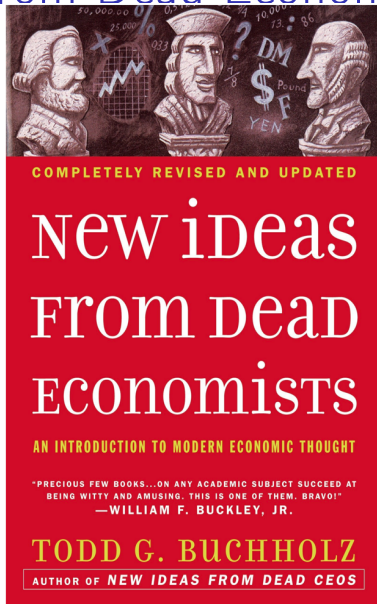
## First Meeting

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BSC

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# New Ideas From Dead Economists



# The class is about you

- This class is about you. You will
  - ▶ learn about interesting/profound ideas
  - ▶ prepare chapter summaries
  - ▶ present them to your classmates in class and get feedback
  - ▶ critically analyze those ideas
  - ▶ write a term paper about one you find most appealing

# Grading: two options

- pass/fail ( $C^-$  or higher is pass)
- actual grade

# Grading structure

- term paper: 50 percent
- class presentations: 30 percent
- participation: 20 percent

# Term Paper

- 3-5 page essay on *one* economist you like
- first draft due: Jan 13
- final draft due: last day of class
- evaluation dependent on your “exploration”

# Class presentations

- read the chapters *before* coming to class
- prepare your chapter summary
- present that summary in class
- get feedback
- evaluation dependent on your “exploration”

# Participation

You will be evaluated based on

- how frequently you ask good questions to the presenter
- how often you provide convincing arguments
- how often you help the presenter by empathising
- how well you demonstrate your “exploration” about the ideas



# A bird's eye view of the chapters

# Chapter 2: Adam Smith

- Wealth of Nations (1776)
- division of labor/ specialization
- free trade
- “the invisible hand” of free markets

# Chapter 3: Thomas Malthus

- population grows geometrically
- food production grows arithmetically
- positive and preventative checks

# Chapter 4: David Ricardo

- comparative advantage theory of free trade
- protectionism is bad for the economy

# Chapter 5: John Stuart Mill

- Utilitarianism: make choices that maximize total happiness
- dignity, honor, self-improvement matter
- favored proportional tax on income

# Chapter 6: Karl Marx

- history of societies is history of class struggle
- capitalism is based on class system, it will eventually destroy itself
- “working class” revolts against exploitation by the “capitalists”, who control the means of production
- labor theory of value

# Chapter 7: Alfred Marshall

- extremely important ideas for modern economics
- marginal analysis such as marginal utility
- law of demand
- elasticity

# Chapter 8: Institutionalists

- look away from rent, profit, capital, cost
- focus on society's institutions, laws, ethos etc
- old institutionalists: Marshall's demand curves and abstract analysis are useless; institutions matter
- new institutionalists: Institutions matter, but Marshall's demand curves and abstract analysis are useful to study institutions



# Chapter 9: John Maynard Keynes

- father of macroeconomics
- aggregate demand is the key for recessions/depressions  
$$(Y = C + I + G + X - IM)$$
- government spending can help the economy recover from recessions
- developed the idea of multiplier

# Chapter 10: Milton Friedman

- a prominent “monetarist”
- "inflation is always and everywhere a monetary phenomena"
- accelerator: higher money supply
- brake: lower money supply
- proponent of free market capitalist system

# Chapter 11: Public Choice School

- James Buchanan (Nobel Laureate in 1986)
- study the economics of politics, budget deficits, special interest groups and bureaucracy

# Chapter 12: Rational Expectations

- new tool for bringing precision in economic analysis
- assume markets clear, people are smart, and prices adjust immediately (vs. “sticky prices”)
- widely used these days for research in economics