



Contents

Preface xv

- 1 Economics and Its History** 1
- What Is the Value of Studying the History of Economics? 3
- Aim, Scope, and Method 3
- Suggestions on How to Use This Book 5
- Other Useful Resources and Information 5



Part I

Preclassical Economics 7

- 2 Ancient and Medieval Economic Thought and Institutions** 9
- Contributions of the Ancient Greeks 9
- Roman and Early Christian Contributions 21
- Chinese Economics in the First Millennium 22
- Medieval Arab-Islamic Economics 24
- Medieval European Economic Thought 27
- Theory Meets History: Economic Impact of
Christianity and the Medieval Church 35
- Conclusion 38
- References* 39 ■ *Notes for Further Reading* 40
- 3 Mercantilism** 46
- Mercantilism as Doctrine: The Economics of Nationalism 47
- Mercantilism as an Economic Process 53
- Transition to Liberalism 65
- Conclusion 66
- References* 67 ■ *Notes for Further Reading* 68

4	The Dawn of Capitalism	72
	Sir William Petty 73	
	Nascent Liberalism in France:	
	Boisguilbert, Cantillon, and the Physiocrats 76	
	Richard Cantillon 77	
	The Spanish Enlightenment: Iberian Economics 89	
	Capitalism at the Junction of Ideas and History 93	
	The Decline of Catholicism and the Rise of Protestantism 94	
	Conclusion 98	
	<i>References</i> 99 ■ <i>Notes for Further Reading</i> 100	

Part II

The Classical Period 105

5	Adam Smith: System Builder	107
	The Nature of Smith's Economic System 108	
	Microeconomic Foundations of <i>The Wealth of Nations</i> 114	
	Smith's Macroeconomics:	
	Blueprint for Economic Development 127	
	Conclusion 130	
	<i>References</i> 131 ■ <i>Notes for Further Reading</i> 131	
6	Classical Economics (I): Utility, Population, and Money	136
	Jeremy Bentham and Utilitarianism 137	
	Thomas Robert Malthus and Population 140	
	Early Monetary Issues 144	
	Classical Economics and the Generators of Trade and Value 148	
	Conclusion 151	
	<i>References</i> 151 ■ <i>Notes for Further Reading</i> 152	
7	Classical Economics (II): The Ricardian System and Its Critics	156
	The Classical Doctrine of Land Rent 156	
	The Ricardian System 159	
	The Ricardo–Malthus Correspondence 164	
	Nassau Senior and the Emergence of “Scientific” Economics 169	
	The Supremacy of Ricardian Economics 174	
	The Elegant Dynamics of the Classical System 175	
	Conclusion 177	
	<i>References</i> 177 ■ <i>Notes for Further Reading</i> 178	

8	Classical Economics (III): John Stuart Mill	183
	Mill's Intellectual Transition 184	
	The Structure of Mill's Economic Inquiry 185	
	Mill's Theoretical Advances 187	
	Mill's Normative Economics 193	
	Mill and the Decline of Classical Economics 196	
	Entrepreneurism at the Classical Summit 202	
	Conclusion 203	
	<i>References</i> 204 ■ <i>Notes for Further Reading</i> 205	
■ ■ Part III		
<hr/>		
■ ■ Responses to the Industrial Revolution— Orthodox and Heterodox 209		
9	Economic Policy in the Classical Period: Technology, Labor, and Poverty	211
	The "Real World" of Classical Economics 212	
	Income Distribution in England 213	
	Early Reforms: The Poor Laws and Factory Acts 216	
	Labor as a Utilitarian Policy Issue 220	
	The Big Question: Can the Poor Be Lifted out of Poverty? 220	
	Technology, Labor, and Poverty: Classical Perspectives 222	
	Conclusion 226	
	<i>References</i> 227 ■ <i>Notes for Further Reading</i> 228	
10	J. S. Mill and Edwin Chadwick on Taxation and Public Economics	231
	Social and Economic Policies of J. S. Mill 232	
	The Political Economy of Sir Edwin Chadwick 238	
	Conclusion 252	
	<i>References</i> 252 ■ <i>Notes for Further Reading</i> 253	
11	Nineteenth-Century Heterodox Economic Thought	256
	Romanticism 257	
	European Evolutionary Thought 259	
	The Utopian Socialists 267	
	German Historicism 273	
	Heterodoxy and Entrepreneurism 276	
	Conclusion 278	
	<i>References</i> 279 ■ <i>Notes for Further Reading</i> 279	

12	Karl Marx: Historical Determinism vs. Utopian Socialism	284
	Overview of the Marxian System	285
	Marx's Early Writings on Capitalist Production	289
	The Nature of Capitalism	292
	Conclusion	301
	<i>References</i>	302 ■ <i>Notes for Further Reading</i> 302

Part IV
The Neoclassical Era 307

13	Proto-Neoclassical Economics in France: Cournot and Dupuit	309
	A. A. Cournot (1801–1877)	309
	Jules Dupuit (1804–1866)	316
	Engineers and Cross-Fertilization of Economic Ideas	329
	Conclusion	330
	<i>References</i>	331 ■ <i>Notes for Further Reading</i> 331
14	Microeconomics in Germany and Austria: Menger, Wieser, and Böhm-Bawerk	336
	German Proto-Neoclassicists	336
	Carl Menger (1840–1921)	340
	Friedrich von Wieser (1851–1926)	345
	Eugen Böhm-Bawerk (1851–1914)	353
	Entrepreneurism in German and Austrian Economics	359
	Conclusion	362
	<i>References</i>	362 ■ <i>Notes for Further Reading</i> 363
15	Microeconomics in England and America: W. S. Jevons and J. B. Clark	367
	W. S. Jevons	367
	Jevons's Theory of Value	370
	Jevons as a Pure Theorist	377
	Jevons and Statistical Science	379
	Jevons and the International Spread of Economic Ideas	382
	John Bates Clark and Marginalism in America	383
	Assessing Clark's Contribution	388
	Clark on Entrepreneurship	388
	Conclusion	390
	<i>References</i>	390 ■ <i>Notes for Further Reading</i> 390

- 16 Alfred Marshall and the Neoclassical Synthesis 394**
 Marshall and His Method 397
 Industry Supply and the Economics of Production 403
 Demand and Consumer Surplus 409
 Marshall on Optimum Pricing and Monopoly 413
 Marshall on Elasticity, Factor Demand, and
 Optimal Resource Allocation 420
 Marshall on Capital and Entrepreneurship 424
 Conclusion 427
References 428 ■ Notes for Further Reading 428
- 17 The Mantle of Léon Walras 433**
 Contrasts between Marshall's and Walras's Approaches 433
 Léon Walras: Sketch of His Life and Work 437
 Walras and Marshall on the Market Adjustment Mechanism 439
 The Role of the Entrepreneur in Walrasian Economics 444
 Pareto, General Equilibrium, and Welfare Economics 446
 Walras's Correspondence and Its Impact on Economics 448
 Conclusion 449
References 450 ■ Notes for Further Reading 451
- 18 Hegemony of Neoclassical Economics 454**
 The Proto-Neoclassicists before 1870 454
 Lessons to Be Learned 462
 What Did Marshall Know and Where Did He Learn It? 463
 Conclusion 468
References 468 ■ Notes for Further Reading 470

Part V

Twentieth-Century Paradigms 473

- 19 British Historicism, Thorstein Veblen, and
 American Institutional Economics 475**
 Nineteenth-Century British Historicism 475
 Thorstein Veblen and American Institutionalism 479
 Second-Generation Veblenians 494
 John Kenneth Galbraith: The Institutionalists' Popularizer 496
 Conclusion 500
References 501 ■ Notes for Further Reading 501

20	Competition Revised: Chamberlin and Robinson	507
	Duopoly Analysis 507	
	Chamberlin's Quest for a New Theory 510	
	Joan Robinson and Imperfect Competition 516	
	Knight, Chamberlin, Robinson, and Entrepreneurism 521	
	Conclusion 522	
	<i>References</i> 524 ■ <i>Notes for Further Reading</i> 524	
21	John Maynard Keynes and the Development of Modern Macroeconomics	528
	Overview of Keynes and His Economics 528	
	J. M. Keynes, Dilettante and Economic Theorist 530	
	Theoretical Outline of the <i>General Theory</i> 532	
	Paradigm Shift or Paradigm Realignment? 544	
	Conclusion 545	
	<i>References</i> 546 ■ <i>Notes for Further Reading</i> 547	
22	Contemporary Macroeconomics: Monetarism and Rational Expectations	552
	Monetary Theory Goes Neoclassical 553	
	Modern Monetarism: Theory and Policy 558	
	Conclusion 566	
	<i>References</i> 567 ■ <i>Notes for Further Reading</i> 567	
23	Austrian Economics	571
	The Gestalt of Austrian Economics 572	
	Ludwig von Mises: The Theory of Money and Credit 575	
	F. A. Hayek and the Theory of Business Cycles 578	
	Joseph Schumpeter on Competition, Dynamics, and Growth 579	
	Competition and the Market Process 583	
	Advertising and Demand Discovery 585	
	The Socialist Calculation Debate 586	
	Conclusion 588	
	<i>References</i> 589 ■ <i>Notes for Further Reading</i> 589	
24	The New Political Economy: Public Choice and Regulation	595
	Public Choice 596	
	The New Political Economy of Regulation 606	
	Conclusion 614	
	<i>References</i> 614 ■ <i>Notes for Further Reading</i> 615	

Part VI

Back to the Future: The Twenty-First Century 619

- 25 Mathematical and Empirical Economics: A Method Revolution 621**
 History and Development of Mathematical Economics 622
 Common Mathematical Tools Used in Economics 623
 Cournot's Heirs: Applications of
 Mathematics to Economic Ideas 626
 Empiricism in Economics: Testing Economic Theory 638
 Conclusion 643
References 644 ■ Notes for Further Reading 645
- 26 Changing the Boundaries of Microeconomics:
 Demand, Consumption, and "Rationality" 648**
 Modern Consumption Technology 649
 Newer Theories of the Firm 655
 Nontraditional Approaches:
 Prospect Theory, Happiness Theory, and Neuroscience 661
 Conclusion 667
References 667 ■ Notes for Further Reading 668
- 27 The Resurgence of Economics as a Social Science 671**
 Economics and Sociology 672
 Economics and Art 675
 Economics and Religion 678
 Economics and Archeology 681
 Economics and Politics 683
 Conclusion 686
References 688 ■ Notes for Further Reading 688
- 28 Quo Vadis? Economics in the Twenty-First Century 693**
 Nobel Laureates and Economics 693
 The Transmission of Ideas and the
 New "Technology" of Economics 697
 Ideas, Ideology, and History 700
 Does Method Matter? 703
 Is Schism in the Cards for Economics? 706
References 708
- Name Index 709
 Subject Index 713