Introduction

The main goal of this paper is to discuss the difficulties and opportunities of introducing the principles of economics through a historical perspective. After a summary of the context of why and how our department decided to radically alter the introduction to the economics course sequence, it will look at the duel goal of jointly introducing economic principles and economic history, in the first course and the complications inherent in unifying this course for the faculty that teach it. A personal log will attempt to illustrate this point.

Why change?

By the late 1990’s, the Department of Economics consisted of six tenured professors, all from traditional tier one level Universities, that collectively had been teaching for some 200 years. Three events guided us in deciding to undertake a curricular reform. First, as experienced teachers, we were not happy with the traditional Micro-Macro introduction to economics sequence as an effective method of introducing students to economics. This unease was based on the observation that our students have a very limited life experience and world perspective, combined with the nature of principles textbooks. Nearly all principles textbooks are the refined, but not value free, compilation of abstract economic theory. When presented to students, it is as if this is the way it is and has always been; like Athena being born fully born and developed out of Zeus’s head.

At some point, it became obvious that teaching economics with its special language and models was an alien experience for the extra ordinary majority of students. Without some type of internal grounding students have little choice but to engage in rote memorization. Retention of material taught after exams were taken had a very short lifespan. Secondly, around the early 1990’s, the economics profession began an intense re-examination of the teaching of graduate and undergraduate economics where this first point was verified. Thirdly, the department’s exit surveys of graduating seniors, over several years, indicated that students expressed the wish that our senior capstone courses of History of Economic Thought or Alternative Economic Perspectives were taught at earlier stages (rather than at the end) of the program. In essence we realized that the teaching of economics as an isolated or insulated course of study was not effective. We also realized that both the Historical and Alternative courses were valued by our students because they added a context and perspective to the study of economics. We agreed that in order to better engage students in the understanding of economics the department needed to introduce this discipline through a historical context and perspective.

How does one change the introductory sequence to the economics major?
Starting around 1999 and 2001, the Department of Economics held weekly meetings, along with some special day long retreats, on the proposed reform. As the proposed reforms included changing the introductory Economics sequence, which were also prerequisites for other majors, the department’s curriculum reform required college wide approval. The proposed reforms were approved by the College and initiated by 2001.

The essence of the curriculum reform was to change the two semester Micro-Macro sequence into a three semester sequence and replace the previous capstone classes with a Senior Seminar research course. The three course sequence begins with Economics in a Historical Perspective which is followed by Micro-Macro Economics, and thirdly by Alternative Economic Perspectives.

The first course, Economics in a Historical Perspective, is about the evolution of economic behavior with the associated institutional contexts like: culture, religion, politics, and technology. There is no text book for this course. The Micro-Macro Economics course is about the economic tools of analysis and is based on the traditional principles textbook. The third course, Alternative Economic Perspectives, considers various economic perspectives that include: mainstream liberal and conservative, radical, Austrian, ecological (strong and weak forms), feminist, and Behavioral Economics. Besides distinguishing the differences between the political and economic language associated with these schools of thought, equity, methodology, and assumptions are discussed, connected, and compared. This course also has no textbook but the principle professor has developed a text and critical thinking questions that students use as the base for their work. A key understanding in this reform was that most if not all of what was taught in the two semesters sequence was still needed for our students to be economically literate. This would require that certain principles needed to be taught and re-emphasized throughout the three course sequence.

By the same token, we are encouraged to reinforce both the Historical and Alternative Perspectives in our intermediate level core classes and electives when possible. (Two of my colleagues will be discussing this later on this panel.)

What are the complications in teaching Economics in a Historical Perspective as the lead introduction to the economics major?

While all three courses are still a work in process, Economics in a Historical Perspective is the most problematic. There are many reasons for this. The first one is that while some of the faculty has had a graduate level class in Economic Thought, no one had any graduate classes in economic history. Most graduate schools in economics today don’t even have any classes the History of Economic Thought let alone on economic history. Economic history has become a sub-area of History departments.
The key purpose of this course is to integrate the evolution of economic behavior with the associated institutional context. If the faculty undertaking this course had little if any economic history, they had even less on the role of culture, politics and law, religion and technology. This stuff is always just assumed with no real active part in social behavior. One question to pursue would be how did (and still do) these institutional factors determine economic behavior? Including the role of institutional factors, however, made the use of economic history textbooks moot.

Given the complexity of this task, the department decided that each faculty should work out a course that would cover the basic economic principles while finding readings for students to explore and connect these themes. This led to much experimentation with various topics and readings which reflected our personal interests and expertise. What worked for one, however, did not work for all. As such, it has become clear that the faculty that teaches this course do not have a common syllabus. Since there are usually three instructors (with some rotation) for four to five sections of this class each semester, this causes a problem for the faculty that teaches the second and third courses in this sequence, as students don’t have a common historical perspective in that first course.

Although some adoption has permeated each other’s syllabi, the department has come to believe that the principle unifying or common themes for this course should be the economic principles that are taught. This is important for the subsequent classes, especially for the Micro-Macro class which needs to jump into the more technical analysis right away. The department agreed on three principal economic ideas and associated topics that need to be developed and addressed by the instructors of this course. They are: the Production Possibilities Curve (PPC), Supply and Demand, and the Great Depression. Aside from these three, we are encouraged to introduce and or develop other economic themes that will be used in the Micro-Macro course. These range from economics as a social science to diminishing returns, international trade with absolute and comparative advantage, competition, Money and Banking, Monetary Policy, Taxes and Fiscal Policy, Markets and Market breakdowns like: asymmetric information, externalities, monopolistic behavior, public goods and the role of government just to name a few.

Still, one cannot look at economic history and say “Aha, this is where demand and supply pops up”. Where or how does one introduce the basic principles of economics in a historical perspective?

A personal log.

My experience with this course over the last 10 years has found that introducing the PPC analysis and the Great Depression in the historical perspective has a somewhat linear look.
Introducing supply and demand does not, since it is about exchange which can be traced back to prehistory.

The one book that the faculty has adopted for this class that tends to give a unifying theme to this course is Jared Diamond’s *Guns, Germs, and Steel*. Diamond introduces a Papua-New Guinea political leader that asks: why is it that the west brought all the “cargo” to New Guinea and not the other way around. I think this question frames the theme of this course more than any other.

For me, the merits of this book are several. Although there is very little economics in this book it sets up a perspective on the connections among food, population and population density, specialization, technology, and government. Even more importantly, Diamond brings into the forefront the quest, not for the proximate explanation, but rather the ultimate one. This allows us to ask: what preceded the information revolution, the Industrial Revolution, the commercial revolution. And what preceded that? It sets up the context for path dependency.

Starting with the evolution of food itself and the transformation from nomadic to settled human behavior we have an explanation for the Fertile Crescent. In the process one can use the literature from economic anthropologists. They focus on societies with little if any property rights. This, along with the corresponding egalitarian and networking political structures, offer the first perspective. Just as importantly, one can focus on the difference between reciprocal exchange and impersonal market exchange. These tendencies are all still present in our world, even if they are increasingly subsumed in our market society. Finally, the nomadic and tribal society creates the base level for the PPC, with two out of the three principle inputs: land (natural resources), and labor. There is very little capital (surplus or what I call savings) at his point (although, I suspect, economic anthropologists would differ on this last point).

Diamond also opens the portal to discussing technology, and how it comes about. I start this section with the chapter on language, which traces the evolution of the alphabet, and highlights the key idea that technology is, more often than not, “borrowed”. This also allows me to present technology as something more than a mechanical device. Technology, in my reading, will include: the development of written language, the introduction of long distance trade, money and finance, and how business is organized. This chapter also presents some of the important conditions for when new technology gets adopted. Diamond does a nice job in connecting technological development with all the parts that need to come together for useful results.

The last section of Diamond’s book that I assign is the chapter on Government. Here Diamond illustrates how population growth and density affect the political structure. As such, the hierarchical system with its ability to capture surplus is introduced. Public goods, taxes and the
role of government in the economy are considered. The role of ideology and religion in maintaining power is introduced. These become important institutional determinants for both the government and the economy and will be traced throughout this course.

The traditional introduction to the principles of economics usually has as its maintained hypothesis three key assumptions. One is that people behave in an economically rational way; i.e. they maximize their satisfaction per penny spent and or maximize their profit. Second, there are clearly defined property rights. Thirdly, that all exchange is voluntary.

Economic rationality and property has already been shown to be different for small scale societies. The idea of voluntary exchange needs to also be looked at. One can do this with several chapters by a book Slavery: A World History, written by M. Metzler. These illustrate several important differences between slavery before the modern era and afterward. Still practiced today, it introduces a special focus on debt slavery-which then allows an introduction into what I call the classical economy and Athenian democracy.

At this point the course becomes even more eclectic. Why Athens? There are several reasons for studying Athens. Diamond determines that the ultimate explanation for the rise of the “West” is geography. The river economies, along with the right combination of evolving food grain and animal husbandry of Mesopotamia and Egypt explained population growth which explains population density and specialization and therefore, the Smithian argument for developing economic wealth. Athens and Rome did not have the natural food or water resources that could lead to the population densities that they experienced. Both places would feed their populations with the import of food; hence introducing the role of trade overcomes the problem of limited resources. Geography still plays a role here, but in a different way. It does so because of the proximity to the sea. As such, the PPC moves upwards as long distance trade in food supports a greater population density and specialization. The classical period economy is discussed through various readings on the grain trade and its technology, including how it was organized. The analysis of absolute and relative advantage of inter-industry trade is introduced and illustrated on the PPC. This analysis is reinforced by readings on this topic from traditional principles textbooks.

This may also be the place (I’m still not certain about this) to introduce the analysis of demand and supply. There was a market for food in Athens that was subject to demand and supply shocks. The Athenian government was involved in this product either because of the naval protection against piracy or because arguments were made for price controls and export bans on certain foods. The argument is made that there would not have been the commercial revolution of the middle ages had agricultural improvements and the associated population boom occurred. Today, no major industrial country is without a food policy. It still bedevils
international trade agreements and is still subject to taxes and subsidies. A near complete analysis of demand and supply is possible at this point.

Secondly, democracy in Athens began with Solon’s reforms which included abolishing debt slavery and giving legal commercial rights to the growing alien population. Although debt slavery is technically illegal, it is important for students to realize how we too can become slaves to our debt. It is also important to highlight the role of resident aliens in the economic development of Athens. This point will be highlighted again as immigration effected the economic development of every major city during the middle ages (think of immigration in Northern Europe during and after the Spanish inquisition), and of course for US economic history.

Thirdly, the role of money and finance in economic behavior is introduced during this period. Ed Cohen’s Athenian Society and Economy: A Banking Perspective lends some interesting perspective on ancient slavery and finance. This allows the introduction of the discussion on the asymmetrical information problem inherent in finance as well as the role and mechanism of credit in the economy. Again, this topic will be covered again when the course reviews the middle ages and with regard to the current situation.

Next, this period allows the introduction of Philosophy, both natural and social. Whereas the first philosophers borrowed knowledge about nature from Egypt and Babylonia and employed it in commerce they also explored society in a way that prompts discussion of the contemporary world. Aristotle’s Ethics questions and reflects on the social implications of markets just as the Athenian society was moving from tribal economic relationships to more impersonal transactions. This is especially relevant to the issue of greed for both the middle ages and for today.

This period also introduces the city state, the political and economic entity that defines civilization thought out history. It does so however, in a way that catches glimpses of the transition from a tribal society to a state society.

So why even bother with the middle ages? Heilbroner and Milburg in their Making of Economic Society have noted that the modern world has more in common with antiquity then the middle ages.

The middle ages, at least starting around 1000 AD, allows us to see the re-formation and development of economic society with more sources. It again looks at the roles of settlement, agriculture (as adapted to Western Europe), population densities and town formation, with the re-introduction of money, trade and finance. The dominant traded good during this period is textiles; a worldwide intra-industry trade. This is the period designated as the commercial revolution and the rise of the merchant class and capitalism as we know it today.
The modern state rose through its merchant class. Merchants funded (through taxes and loans) early town formation and got to make (along with the church and the aristocracy) the rules. Its connection to antiquity came through the Crusades with their incursions in Byzantium and the Middle East. Initially, the Italian city states facilitated the spread of the European textile industry into Northwest Europe. Cities like Venice, Florence, Genoa, Brugge, Antwerp, and Amsterdam became entrepots in successive time periods. Braudel’s work allows for some excellent reading here. Labor is organized into Guilds and become the new “tribes” of social organization.

During this period we also see religion as the unifying if not hegemonic force. It’s attitude towards commerce and usury would evolve, but not before the power of the merchant class had already made the rules. Financial innovation, which can be characterized as loophole mining, would lead to what we call checking today, but also to the sovereign debt that would lead to the French revolution and today’s crises.

The quest for economic profit (now available to more people through joint stock companies and royal charters) would lead to the Age of Reason (a cultural institution) with science, discovery (of the Western Hemisphere and the sea routes to Asia), conquest and diplomacy as its key instruments. The mercantilist era, with its monopolies and monopsonies is supplemented with readings by Lopez, Pomeranz and Williams which lead the course into the types of goods traded including the transatlantic slave trade. This surplus generated during this period would lead to the funding of the industrial revolution (evolution) and the rise of the UK as the hegemonic force of the Industrial revolution with its international and geographic economies of scale. By now, the merchant class would succeed in making the rules with very little interference from the church or the aristocracy.

This period takes us into what I call the modern period and the beginning of Political Economy and the history of economic thought. Secondary readings, like Heibroner’s The Worldly Philosophers on Locke, Hume, and Smith introduce the class to the Age of Enlightenment where the rights of individuals are given a place alongside, if not before, society. The Malthusian Essay on Population along with the principle of diminishing returns (with Ricardo) are introduced at this point. Heilbroner’s chapters on the Industrial Revolution and its aftereffects on society are then discussed (with little enthusiasm, I may add). The rise of the labor movement as a social force is depicted with film.

At this point it is time (and it is running out by now), Smith’s growth theory is augmented by Marx and Say’s Law. Sources for the Great Depression are plentiful and varieties are used. From the Say’s Law straw man we then develop the Keynesian theory of Aggregate Demand with an accompanying discussion of Fiscal and Monetary policies. Is there a liquidity trap? That issue is discussed with contemporary examples from Japan and the US.
Finally, this course ends with my presentation of the Post-War era of trade liberalization and a brief analysis of the role of cooperation (prisoner’s dilemma). At this point there is no time for any more readings as the students are writing their term papers.

Assessment in this class consists of two tests, an essay, a final term paper and some intense daily reading and analysis. One test is on the PPC and how the technologies of trade money and finance affect it. The other is supply and demand. These are supplemented by essays on Aristotle’s critique of market behavior as compared to tribal behavior and the final term paper, which is a reply (or guide) to some twenty questions starting with the medieval period. Finally, and what is the most intensive part of the course for me and the students, a summation of each reading, followed by a student question that reflects the reading, is required and graded.

Does this class give a historical perspective to the evolution of our economy? The student evaluations for the extra ordinary majority of the classes seem to indicate, yes. The economics major has doubled; both in terms of students and faculty (although there are clearly other factors involved which are just as important). Given that this is the first class in the major, our numbers could have been halved.

Does this class adequately prepare students for the next class in the sequence, Micro-Macro Economics? I am not sure. The instructors of that course and the following one, Alternative Economic Perspectives, return to the historical context and often draw blanks. On the other hand, they manage to get through the required economic analysis.

We, as a department or as instructors of this class, have not arrived at the common syllabus. I think that part of the reason for that is that I don’t I have either. New reading of older and emerging literature is constantly tweaking this course. Even more importantly, I sometime wonder if I shouldn’t be teaching this course in a reverse order (I have not decided to do this yet). Finally, I also wonder if my eclectic emphases of the particular principles that are taught in this class are not really based on my graduate level training in International economics and money and finance. How can I expect others with a different background to follow my readings.

As a little post script, I can add that once I asked a similar question to the one that Diamond was asked by that native from New-Guinea when I was traveling in Nepal. I decided to major in economics because of that question, and now I can finally begin to answer that question.

This is still a draft.

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Harry Kypraios