In this course, we explore two questions using the Keynes-Hayek debate as our laboratory. First, what is the scope for policy makers to lead the economy through crises and the inevitable ups and downs that accompany economic expansion? How much agency should policy makers assume and when are unusual mechanisms called for? Second, what leadership role do economists legitimately play in the development and implementation of new economic policy?

In both his written work and by example throughout his professional life, J. M. Keynes would argue for a significant role of economists. He acknowledged however that the influence of economists might overlap its usefulness; his General Theory famously closed with this passage: “The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.”

Friedrich Hayek, too, held that economists should take center stage in terms of advocating economic policy but his was a quite different sort of advocacy. His work to found the Mont Pelerin Society was an act of leadership that some suggest constitutes his most significant
achievement. Hayek disagreed with Keynes, however, on what sorts of economic policy were best suited to promote economic expansion and stability. We will explore the nature of this disagreement.

We of course have the perfect natural experiment with which to consider these questions and the disagreement: since 2008 the US and indeed world economies have experienced a severe contraction and a sluggish recovery. What would Keynes and Hayek say about the last four years and the road to recovery?

Readings for the course will be drawn from Keynes’ *Economic Consequences of the Peace* and *General Theory* and Hayek’s “Use of Knowledge in Society”, *Road to Serfdom* and *Law, Legislation and Liberty*, contemporary reactions to these works, and published correspondence between Keynes and Hayek. We will also read (and view) recent commentary on the debate in the light of the 2008 financial crisis.

**Texts:** I will make many of the readings available at the Blackboard site. You may wish to purchase the following. All are in paperback; Kindle versions are fine.

- J. M. Keynes, *Essays in Persuasion*. An inexpensive paperback is available.

**Dates, Topics & Readings**

**Weeks 1-2 -- August 29-September 5**

Note: On September 5, Mr. Robert S. Jepson, Jr., will visit the School and attend our class.

**Topic 1 Historical Context for Keynes-Hayek: The Decline of Reliance on Self-Reliance in Economic Policy**


Week 3 – September 12

Topic 2 Contemporary Contexts

Keynes-Hayek rap video #1, “Fear the Boom and Bust”, Russ Roberts and John Papola

Vernon Smith, Big Think Interview with Vernon Smith, January 29, 2009
http://bigthink.com/ideas/18199

Lawrence White, “From Pleasant Deficit Spending to Unpleasant Sovereign Debt Crisis,” The Clash, pp. 382-411.

Week 4 -- September 19

Topic 3 Policy Stances (i) Liberalism


Week 5 -- September 26

Topic 4 Policy Stances (ii) Markets


James Buchanan and F. A. Hayek interview, “Pattern Prediction and Scientism”
http://www.youtube.com/watch?v=kzNpD9DXU2w&feature=results_main&playnext=1&list=PL719CB254A6D2B45A

Weeks 6-7 -- October 3-10

Topic 5 Policy Stances (iii) Planning


Week 8 – October 17

MIDTERM EXAM

Weeks 9-10 -- October 24-31
Note: Class ends at 5 p.m. on October 24.

**Topic 6 Policy Stances (iv) Intervention**


**Week 11 – November 7**

**Topic 7 Policy Stances (v) Rules vs. Discretion**


**Weeks 12-13 -- November 14, 28** (Note: no class November 21)

**Topic 8 Economists as Leaders**

VISIT by Sherry Kasper.

J. M. Keynes as Public Intellectual, working paper by Sheryl Kasper.
J. M. Keynes, “Economic Possibilities for our Grandchildren,”

Hayek and the Founding of the Mont Pelerin Society, Sandra J. Peart and David M. Levy, ILA paper.

http://www.youtube.com/watch?v=kzNpD9DXU2w&feature=results_main&playnext=1&list=PL719CB254A6D2B45A

Week 14 – December 5

Topic 9 Conclusions

Keynes-Hayek rap video #2, “Fight of the Century,” Russ Roberts and John Papola

Grading:

Participation (discussion) ........................................................................................................................................... 10
Presentations ...................................................................................................................................................................... 10
Midterm ............................................................................................................................................................................. 25
Policy Brief (due November 28) ........................................................................................................................................ 25
Final exam ........................................................................................................................................................................ 30

Notes:

a) Attendance and participation will make this class work. I expect you each to take ownership of the readings and the discussions. To encourage this (!), I intend to have you each present a summary of an assigned reading, both with a written and an oral summary and leadership element (you will lead the discussion of the work you have summarized!).

b) We will have visitors to our class and that will require some flexibility on the topics and readings above. I'll let you know and adjust accordingly.

c) This course is oriented towards theoretical perspectives on policy as well as specific policy proposals (TARP, The New Deal, and so on). For your written assignment I will ask you to write a policy brief that presents a theoretical rationale for a specific policy in contemporary debates. For your presentation, you will present a brief (on a different issue) as part of a Keynes-Hayek pair. More information on each of these assignments will follow.

d) If an emergency develops and you must miss a test or assignment, please have someone contact the dean's office so that we can work out an alternative.
e) If you have a documented disability that requires accommodation, please let me know at your earliest convenience and within two weeks.

f) The University of Richmond values and supports students’ religious observance. Students who will miss class or other academic assignments because of religious observance are responsible for completing missed work. Students should contact me within the first two weeks of the semester to make arrangements. The entire religious observance policy may be found here: http://registrar.richmond.edu/services/policies/index.html.

Some notes from UR’s Academic Skills Center:

If you experience difficulties in this course, do not hesitate to consult with me. There are also other resources that can support you in your efforts to meet course requirements.

**Academic Skills Center** ([http://asc.richmond.edu](http://asc.richmond.edu), 289-8626 or 289-8956): Supports students in assessing their academic strengths and weaknesses; honing their academic skills through teaching effective test preparation, critical reading and thinking, information processing, concentration, and related techniques; working on specific subject areas (e.g. calculus, chemistry, accounting, etc.); and encouraging campus and community involvement.

**Career Services** ([http://careerservices.richmond.edu/](http://careerservices.richmond.edu/) or 289-8547): Assists students in exploring their interests and abilities, choosing a major, connecting with internships and learning experiences, investigating graduate and professional school options, and landing a first job. We encourage students to schedule an appointment with a career advisor during their first year.

**Counseling and Psychological Services** ([http://caps.richmond.edu](http://caps.richmond.edu) or 289-8119): Assists students in meeting academic, personal, or emotional challenges. Services include assessment, short-term counseling and psychotherapy, crisis intervention, psychiatric consultation, and related services.

**Speech Center** ([http://speech.richmond.edu](http://speech.richmond.edu) or 289-6409): Assists with preparation and practice in the pursuit of excellence in public expression. Recording, playback, coaching and critique sessions offered by teams of student consultants trained to assist in developing ideas, arranging key points for more effective organization, improving style and delivery, and handling multimedia aids for individual and group presentations.

**Writing Center** ([http://writing.richmond.edu](http://writing.richmond.edu) or 289-8263): Assists writers at all levels of experience, across all majors. Students can schedule appointments with trained peer writing consultants who offer friendly critiques of written work.

**Boatwright Library Research Librarians** ([http://library.richmond.edu/help/ask.html](http://library.richmond.edu/help/ask.html) or 289-8669): Assist students with identifying and locating the best resources for class assignments, research papers and other course projects. Librarians also assist students with questions about
citing sources correctly. Students can schedule a personal research appointment, meet with librarians at the library’s main service desk, email, text or IM.