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 28-September 4**

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


**Week 3 – September 11**
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 18

Topic 3 Policy Stances (i) Liberalism


Week 5 -- September 25

NOTE: Ben Wallerstein, J’99 will visit our class on September 25. Ben works in the world of education policy and I’m sure he will have interesting things to say to us. More details to follow!

Also Michael Sandel is lecturing at 7 pm on September 25. Plan to attend!

Weeks 6-8 – October 2-16

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

WEEK 7 – October 9

MIDTERM EXAM

Weeks 8-9 -- October 16-23

Topic 5 Policy Stances (iii) Planning


**Weeks 10-11 -- October 30-November 6**

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


**Week 12 – November 13**

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


John Taylor, “Lessons from the Financial Crisis”,

**Week 13 -- November 20** (Note: no class November 27)

**Topic 8 Economists as Leaders**

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=PL719CB254A6D9B45A

Week 14 – December 4

Topic 9 Conclusions

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

Grading:

Participation (weekly discussions) .............................................................. 10
Presentations (Nov. 20, Dec. 4)..................................................................... 10
Midterm (October 9) .................................................................................. 25
Policy Brief (due December 4)................................................................. 25
Final exam ................................................................................................. 30

Notes:

a) Throughout the semester I will add contemporary readings that relate to the topics at hand. Please feel free to send links and so on to me.

b) 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!).

c) 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.

d) 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 group. More information on each of these assignments will follow; I will build in classroom time to discuss this and I do plan to have you weigh in on how each person in the group contributed. (Preventing “free riders” as economists would say.)

e) 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.

f) Awarding of Credit
To be successful in this course, a student should expect to devote 10-14 hours each week, including class time and time spent on course-related activities.  
http://registrar.richmond.edu/services/policies/academic-credit.html

g) Disability Accommodations

Students with a Disability Accommodation Notice should contact their instructors as early in the semester as possible to discuss arrangements for completing course assignments and exams.  
http://studentdevelopment.richmond.edu/disability-services/policies.html

h) Honor System

The Jepson School supports the provisions of the Honor System. The shortened version of the honor pledge is: “I pledge that I have neither received nor given unauthorized assistance during the completion of this work.”  
http://studentdevelopment.richmond.edu/honor/

i) Religious Observance

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 notify their instructors within the first two weeks of classes if they will need accommodations for religious observance.  
http://registrar.richmond.edu/planning/religiousobs.html

Notes from UR’s Academic Skills Center:

These are some resources that can support you in your efforts to meet course requirements.

Academic Skills Center (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/ 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 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 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 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 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.

Additional information:

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, 289-8626 or 289-8956): Helps students assess their academic strengths and weaknesses; hone their academic skills through teaching effective test preparation, critical reading and thinking, information processing, concentration, and related techniques; work on specific subject areas (e.g., calculus, chemistry, accounting, etc.); and encourage campus and community involvement.

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

Counseling and Psychological Services (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 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 or 289-8263): Assists writers at all levels of experience, across all majors. Students can schedule appointments with trained writing consultants who offer friendly critiques of written work.
Boatwright Library Research Librarians (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 in the first floor Research and Collaborative Study area, email, text or IM.