In this course, we explore two questions using historical debates on economic policy as our laboratory. First, what is the scope for policy makers to lead the economy through cyclical and secular 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 overleap 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*, Buchanan’s Collected Works, contemporary reactions to these works, and published correspondence between Keynes and Hayek. We will also read (and view) recent commentary on various debates.

**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:**

**Topic 1: The Historical Context** (subtext, these are very old debates, plus ça change, the econ guys were the good guys)

**August 26, 1.1: What’s the problem? The Many and the Few**

James Mill, Essay on Government

T. B. Macaulay, Mill’s Essay on Government


**September 2, Topic 1.2: The biggest debate of all: Work, freedom and choice**


Selections from *The Vanity of the Philosopher*
September 10, 1.3: The “turn away” from laissez faire


J. M. Keynes, “Economic Possibilities for our Grandchildren,”


September 23, Topic 2: Contemporary Contexts: How far have we turned? Big policy issues today

**Class visitors:** Col. Leo Thorsness; Thomas W. Matthews

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


Additional readings tba.

**Topic 3: Policy Stances**

September 30, 3.1: Liberalism & 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](http://www.youtube.com/watch?v=kzNpD9DXU2w&feature=results_main&playnext=1&list=PL719CB254A6D2B45A)

October 7: MIDTERM EXAM

October 14: FALL BREAK

October 21-28, 3.2: Planning


**November 4, 3.3: Education policy**

**Class visitor:** Ben Wallerstein, Jepson ’99, who works in education policy.

Readings tba.

**November 11, 3.4: Federal Reserve policy: rules vs. discretion vs. economic stimulus**


Tba from the (Richmond) Fed website. [https://www.richmondfed.org/](https://www.richmondfed.org/)

**November 18, 3.5 Public Choice**

James Buchanan, *Politics without Romance*

**November 25 – Presentation(s)**

**December 2 – Presentations and 4: Conclusions**

**Grading:**

Participation (weekly discussions) ................................................................. 10
Presentations (Nov. 18, Dec. 2)............................................................................................ 10
Midterm (October 7) ........................................................................................................ 25
Policy Brief (due December 2)............................................................................................. 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:

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.