In this course, we explore two questions using historical debates on economic policy as our laboratory. First, what is the scope for policy makers and civil servants 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 roles do economists legitimately play in the development and implementation of economic policy?

I will frame our discussions generally using the contrast between J. M. Keynes and Friedrich Hayek. One question will be whether this framing fits current debates and the split between Democrats and Republicans in the US. While the ideas of Keynes and Hayek will loom large in the historical context, our focus for contemporary issues is on policy as opposed to personalities.

In both his written work and by example throughout his professional life, J. M. Keynes would argue for a significant role of economists as leaders. 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.

Stefan Kolev’s visit, noted below, will take us through the ideas that enabled post-war Germany to move from fascism to markets. The leadership role of Walter Eucken was super important in that transition.

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 a recent natural experiment with which to consider these questions and the disagreement: after 2008, the American and world economies experienced a severe contraction and, at least initially, an unusually sluggish recovery. Another distinguished visitor, Dr. Jeffrey Lacker, will lead us through a discussion of Federal Reserve policy during the financial crisis.

A third visitor, Jepson alum Tripp Perrin will take us through a discussion of leadership and economic policy at the state level.

Texts: I have made many of the readings available at the Blackboard site. You should purchase the following in paperback or Kindle.


Topics & Readings:

WEEK 1 (January 13, 15): Why study leadership and economic policy? (The Housing and Financial Crises)


https://video.search.yahoo.com/yhs/search?fr=yhs-itm-001&hsimp=yhs-001&hspart=itm&p=hong+kong+protests#id=1&vid=fcb8722170f409ee8acdc742f45da14e&action=click
Keynes-Hayek rap video #1, “Fear the Boom and Bust”, Russ Roberts and John Papola.

WEEKS 2-3 (January 22, 27, 29 [no class January 20]): Historical Context for Keynes-Hayek: The Decline of Reliance on Self-Reliance in Economic Policy


January 29, DEBATE 1: Self-reliance/Paternalism in contemporary policy (SNAP controversy--details/readings TBD)

WEEK 4 (February 3, 5): Early 20 Century “Progressives” and the Illiberal Turn


J. M. Keynes, “Economic Possibilities of our Grandchildren” and selections from The General Theory (tbd).

WEEK 5 (February 10, 12): How far have we turned?

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

Contemporary policy proposals & discussions—readings TBD!

February 17, special guest, Jeff Lacker (Distinguished Professor of Economics at VCU and formerly President of the Federal Reserve Bank of Richmond): Federal Reserve policy during the financial crisis, readings TBD.

WEEKS 6-7 (February 19, 24): Liberalism & Markets


**February 24, special guest, Stefan Kolev (Professor of Economics at the University of Applied Sciences Zwickau): The German context after WWII**


**WEEKS 7-8 (February 26, March 2): Planning**


**March 4, Debate #2: Stimulus spending policy (readings TBD)**

**SPRING BREAK (MARCH 9, 12)**

**WEEK 9 (March 16): MIDTERM; (March 18) POLICY BRIEF, group meetings (assignment TBD)**

**WEEK 10 (March 23): Rules, discretion, or economic stimulus**


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

John Taylor, *Rules for America’s Road to Recovery*.

**March 25: Special Guest, Tripp Perrin, State government relations and public affairs, readings TBD.**

**WEEK 11 (March 30): Public Choice**

James Buchanan, *Politics without Romance* (pages to be determined)


Michael Munger, Crony capitalism. [https://www.econtalk.org/michael-munger-on-crony-capitalism/](https://www.econtalk.org/michael-munger-on-crony-capitalism/)
WEEKS 11-12 (April 1, 6): The Rise and Role of the Administrative State
(permission pending) Ronald Pestritto, “Constitutional and Legal Challenges in the Administrative State” (manuscript); and

Sandra J. Peart, “Economists on Incentives, Economic Models, and the Administrative State: The Clash between Happiness and the Public Good” (manuscript)

WEEKS 12-13 (April 8-20): Policy briefs and presentations

WEEK 13 (April 22): Conclusion(s)

Grading:

Participation (weekly discussions, debates, summaries of readings) ........................................ 15
Midterm (March 16) .................................................................................................................. 25
Policy Brief (outline, presentation [April 6-15], and paper).................................................. 30
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 me suggested links and so on.

b) Attendance and participation will make this class work. I expect you to take ownership of the readings and the discussions, present (verbal and written) summaries of assigned readings, and provide questions and input throughout.

c) We will occasionally have debates about contemporary issues. These are marked (tentatively) on the syllabus. Stay tuned.

d) We will have visitors to our class and that will require some flexibility on the topics and readings above. If changes occur, I will let you know about these and we will adjust accordingly.

e) 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 elements will follow; I will build in classroom time to discuss. I plan to have you weigh in on how each person in the group contributed. (Preventing “free riders” as economists would say.)

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.

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.

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.”

Religious Observance
Students should notify their instructors within the first two weeks of classes if they will need accommodations for religious observance.
Information from the University 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. These include

1) Academic Skills Center ([http://asc.richmond.edu](http://asc.richmond.edu), 289-8626 or 289-8956): Assists students in assessing their academic strengths and weaknesses; honing their academic skills through teaching effective test preparation, critical reading and thinking, information conceptualization, concentration, and related techniques; working on specific subject areas (e.g., calculus, chemistry, accounting, etc.); and encouraging campus and community involvement. Hours at the Center are: Sunday through Wednesday 3:00-9:00 p.m. and Thursday 3:00-7:00 p.m. On-call tutors are also available.

2) Career Services ([http://careerservices.richmond.edu/](http://careerservices.richmond.edu/) or 289-8547): Can assist you in exploring your interests and abilities, choosing a major or course of study, connecting with internships and jobs, and investigating graduate and professional school options. We encourage you to schedule an appointment with a career advisor early in your time at UR.

3) Counseling and Psychological Services ([http://wellness.richmond.edu/offices/caps/](http://wellness.richmond.edu/offices/caps/) or 289-8119): Assists currently enrolled, full-time, degree-seeking students in improving their mental health and well-being, and in handling challenges that may impede their growth and development. Services include short-term counseling and psychotherapy, crisis intervention, psychiatric consultation, and related services.

4) 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.

5) 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 writing consultants who offer friendly critiques of written work.

6) Boatwright Library Research Librarians ([http://library.richmond.edu/help/ask/](http://library.richmond.edu/help/ask/) or 289-8876): Research librarians assist students with identifying and locating resources for class assignments, research papers and other course projects. Librarians also provide research support for students and can respond to questions about evaluating and citing sources. Students can email, text or IM or schedule a personal research appointment to meet with a librarian in his/her office on the first floor Research and Collaborative Study area.

Title IX information: The University is unwavering in its commitment to support survivors of sexual assault, to respond promptly to reports of any type of sexual misconduct, and to
investigate and adjudicate reports in a manner that is fair and equitable to all parties involved. We understand that sexual violence can undermine a student’s academic success and we encourage students who have experienced some form of sexual misconduct to talk to someone about their experience, so they can get the support they need.

Alleged violations can be reported to the Title IX Office at report.richmond.edu. Reports to law enforcement can be made to University of Richmond Police Department at 804-289-8911. The purpose of reporting to Title IX is to connect students to support resources and accommodations. Students can choose whether or not to file a formal complaint.

Students can receive confidential support from: Center for Awareness, Response & Education (C.A.R.E.) Advocate – 804.801.6251 (call or text) / advocate@richmond.edu; Peer Sexual Misconduct Advisors (PSMA’s) – 804.346.7674 (call or text) / psma@richmond.edu; Law School PSMA’s – 804.347.9586 (call or text) / lawpsma@richmond.edu