

First Lecture

Political Economy

Bifurcation

- Division vs. fracture
- Discipline or knowledge?
- Politics vs. economics
- Theory as ideology

Adam Smith and the De-Politicization of the Economy

- The triple revolution: capitalist, industrial, scientific
- The new cosmology: nature and society
- Natural laws, social laws: from hierarchy to equilibrium
- The invisible hand: *laissez faire*
- Liberal revolutions
- “Functions”: force/counterforce, supply/demand
- Egocentrism, market and capital

David Ricardo and the rise of Value Theory

- Production and prices
- Productivity and ownership
- Quantifying John Locke: a labour theory of property

Karl Marx’s Critique

- Historical Laws of Motion
- Capitalism as a transitory system
- Exploitation
- Theory as ideology
- The totality of society: re-politicizing the economy

The Neoclassical Defense

- The rise of “pure” economics
- From classes to “agents”
- The production function and the “productivity” of capital
- The independence of supply and demand
- From dynamics to statics
- “Initial endowments,” marginal analysis and equilibrium
- The end of history

The Great Depression and the Rise of Keynesianism

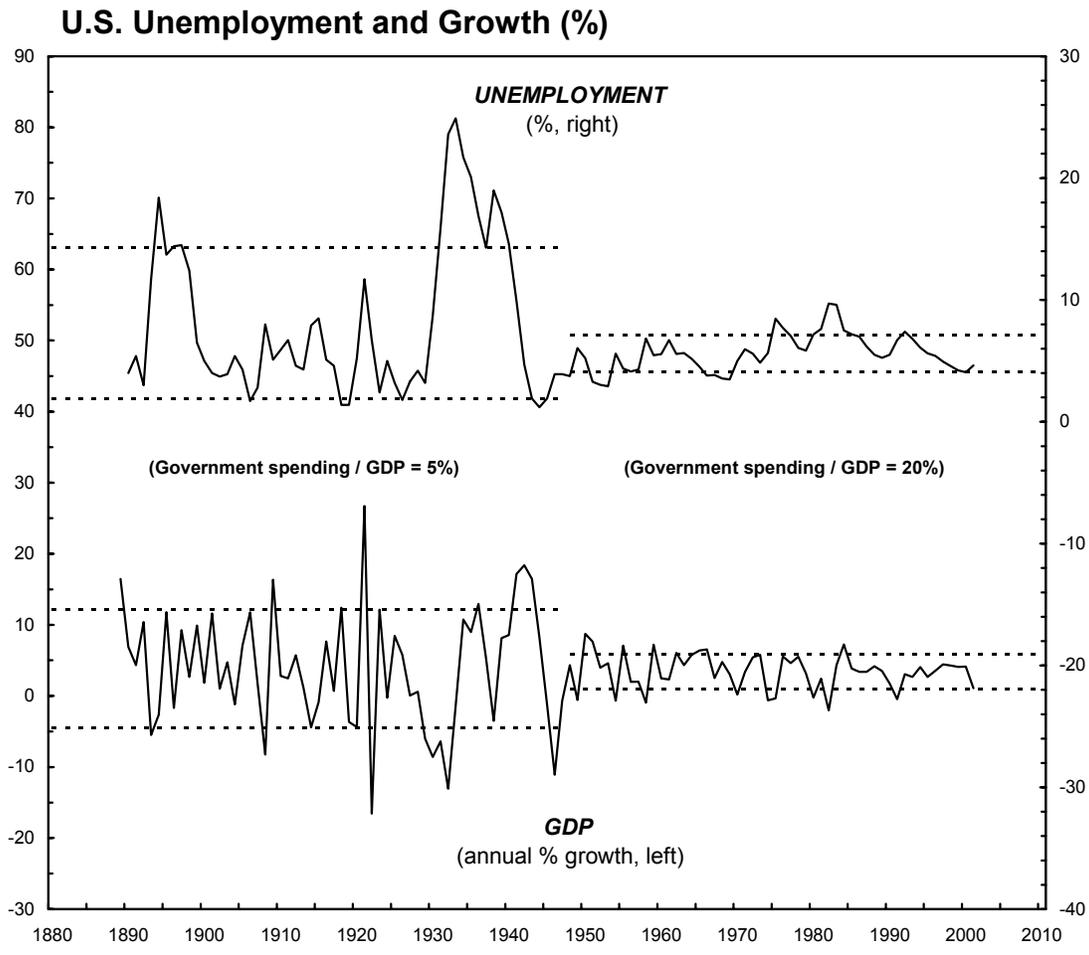
- Crisis, communism and fascism
- Keynes’ *General Theory*
- The aggregate view
- Uncertainty: “we simply don’t know”
- Financial intermediation, psychological mismatch
- Chronic unemployment, inherent instability
- Government intervention: higher spending, socialized investment
- The welfare/warfare state

Neo Marxism

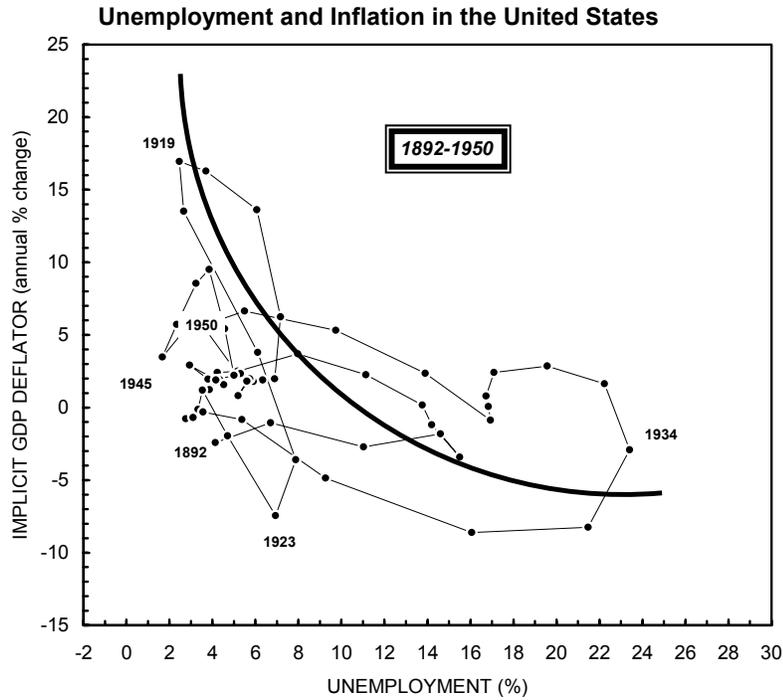
- From competition to oligopoly
- From market prices to administered prices
- From profit maximization to a target rate of return

Stagflation and the New Classical Economics

- The rise and fall of the Phillips Curve
- Stagflation
- From unknowable uncertainty to known risk
- The ineffectiveness of policy
- The end of the welfare/warfare state



SOURCE: US Department of Commerce, Bureau of Economic Analysis



NOTE: Series are smoothed as 3-year moving averages.
 SOURCE: U.S. Bureau of Economic Analysis, through DRI; U.S. Department of Commerce. Bureau of the Census. 1975. *Historical Statistics of the United States. Colonial Times to 1970*. 2 vols. Washington D.C.: Government Printing Office.



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