

Understanding the development of contemporary economics through major controversies : syllabus, lecture summaries and reflections

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This Spring I taught a history of recent economics course to undergraduate students majoring in mathematics and economics. [The syllabus is here](#). I have reproduced the reading list with some links to papers and twitter summaries of my lectures below. Here are also a few comments on what I wanted to do with this type of course, what worked and what did not. Comments and suggestions to improve the course and set up new debates are much welcomed.

Course narrative and organization

Though the course is tailored to a specific audience, I believe how the general narrative is conveyed through re-enacting landmark controversies in the history of economics can appeal to many types of students. My goal was to highlight several characteristics of economics as a discipline:

(1) **a contested science:** economics is often perceived as contested from the inside (economists constantly arguing with each other) as well as from the outside (medias, politicians and civil society criticizing economics for being insular, neoliberal, cut from reality, useless, etc). Presenting how economists *themselves* have debated the foundations of their current practices (writing mathematical models using simplified behavioral hypotheses and confronting them with data) seemed a more fruitful window than the endless stream of post-crisis attacks and defense op-eds.

(2) **a set of practices:** students are introduced to what economists do through textbooks. By definition, a textbook presents a linear set of models which, in retrospect, seem obvious, crystal-clear, and deemed to win the battle of ideas. Teaching the history of economics through debates enable them to recover the messiness, the failures, the dissent, the disagreements, the trials and errors and the confusion that are essential characteristics of scientific endeavors.

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(3) **permanence and change, progress and choices:** textbooks also nurture the idea that, because economics is a science, economists' practices are no social endeavors, not influenced by historical contexts, and that "progress" will eventually help replace shaky practices with better ones (see for instance the current shared hope that better data, more powerful computers and advances in empirical techniques will eventually take ideology out of economics). Interestingly, studying decades-old debate raises awareness both to permanence and change in economics: on the one hand, the rise of mathematical and empirical economics are embedded in specific places, communities and contexts (a World war then a Cold war), policy debates, etc. To me, economic practices are born out of the interaction of contexts and technical affordances and constraints (available data and mathematical tools, for instance. At the same time, it seems that fundamental questions on induction vs deduction, the use of mathematics, realism and objectivity resurface every 20 years or so, that many debates of the 1950s are being re-enacted in the 2010s, sometimes verbatim. My hope is that comparing 1950s and 2010s debates would help each student decide for her/himself how much permanence and how much change, how much of their future practice will be about harnessing progress and how much about making epistemological choices that no amount of scientific progress will wash away.

Students' characteristics then determined topics and format. Their program foremost reflects the oldest and most renown tradition in French higher education : intensive training into all branches of mathematical analysis. A peculiar feature of the newly established BachelorX program is that they are also introduced to physics, computer science and economics during the first year, before electing one of these three topics as major in the second year. My students are the 18 who specialized in maths and economics – a minority. I thus chose among longstanding debates in economics the 5 contentious issues I thought would most appeal to students entering economics directly as applied mathematicians, with a good introductory background in recent debates around AI, machine learning, algorithms. Had my students be more policy-oriented, I would probably have put the making of economic facts and debates on measurement (for instance of GDP, unemployment or price indexes) on the agenda, and zoomed more closely on whether economists can select policy ends yet remain ideologically neutral.

I formed 6 groups of 3 students, gave them sets of 1950s debates with a few background historical articles, recent echoes of these debates (articles, blogs etc.) and a loose set of instructions. They had to find a way to unpack the debate in 15 to 30 minutes for their fellow students, who would then jump in and argue their epistemological choices for an hour all together. I would then provide a 1 hour wrap up lecture.



What to keep and what to change

Topics were on-point : I was afraid they would find debate questions boring, or dated, or all agree, or have no strong viewpoint. In fact, I never had to kick a classroom debate once. I only occasionally pointed to formal flaws in their exchange, such as the lack of examples that create a shared understanding of what is being discussed. They argued for hours on whether data speak for themselves or require a model to be interpreted and to what extent current debates on whether algorithms are biased can shed light on these issues, whether more data is better data, whether it takes a model or better data to beat a model, whether economists' concerns should be with average or distribution tails, how much simplified economic models should be, whether economics is more ideological than physics (wild disagreement on this!), how much the uses of science determine its content, whether generality is a desirable characteristic of models. I was often able to point to real-time ongoing debates between economists on twitter and in the press on related topic.

Reading material needs fine tuning : I was afraid debates were either too technical, or couched in dusty prose, or that providing background history papers making sense of just the same debate would stifle appropriation of the material and creativity. It wasn't the case. Students unanimously explained that having a history paper summarizing the debate helped them parse out the technicalities to concentrate on the bigger picture. They even suggested adding to the reading list a textbook chapter on the technical issue discussed (wether expected utility or prospect theory, or Cowles structural estimation vs natural and randomized experiments, or the theory of the firm)

Debates need clearer instructions, more interventions: debates staged by small groups were often too long, with too much time spent on discussing technical details rather than underlying epistemological disagreements. Some tried to be exhaustive rather than strong. On the other hand, not giving specific instructions resulted in very creative renditions, from a 1952 dinner during which Savage and Allais argued over decision theory and fine food, to a TV investigation on whether businessmen seek to maximize profit and a trial of mathematical economics to Kahneman & Tversky's experiment being performed in the classroom. Some suggested that instructing them to *argue* with each other for max 15 minutes would have forced them to cut through the details and excavate the fault lines more

clearly. They also invited me to intervene in the classroom debate more often when I felt they were talking past each other and suggest ways to improve the quality of the debate (“take a specific exemple”).

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Macro exceptionalism : While students were at ease to discuss all sorts of micro questions and models, they hardly debated macro modeling, discussed which models are more likely to explain business cycles or to predict inflation, or to help Feds and governments stabilize economies. I had already observed with other types of students that macro models seem to have a higher cost of entry, or that macro intuitions are more difficult to convey to undergrads. I don't know why. They would have welcomed a 3-hours lecture on the history of macro to help make them sense of the field. I have no idea which sort of macro narrative arch might get them out of the fog.

Lack of diversity: One major frustration was with spending most of my time as a researcher trying to avoid the “history-as-a-succession-of-big-ideas-thought-by-famous-white-male-genius-economists” trap, yet eventually contextualizing the origins and consequences of a set of exchanges between a handful of famous white male genius economists as a teacher. I have little hope to shift the gender & diversity balance without changing the course architecture. Big debates were engineered by a handful of economists whose lasting influence on the discipline needs to be assessed, so that my cast is inevitably crowded by the Arrows and Samuelsons and Friedmans of the world. I asked students to read Julie Nelson's work and discussed whether economics is gender-biased and why, according to them, my historical cast is so male-dominated. But this is really a second best solution. Any suggestion?

*Edit: a note on the 'novelty' of the present course. The “debate” structure might not be widespread (though François Allison & Cleo Chassonnery-Zaigouche also teach along these lines in Lausanne), but the content is pretty standard and reflect what most historians of postwar economics teach/ would teach if given the chance. In other words, it's not a supply issue, but a demand one. There are not many programs including history of economics courses left, let alone history of recent economics *after Keynes.**

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Material for debates

Week 1&2 (6 hours): The transformation of economics since 1940: a chronology

1. How did the Second World War transform economics
2. The 1950s/1965: the Age of the Keynesian synthesis
3. 1965-1980: crises in economics, crises in modern societies
4. The 1980 to 2000s refoundation

General readings:

1. Backhouse, R. 2004. *The Ordinary Business of Life*. Princeton University Press (a short highly readable introduction to the history of economics from Aristotle to recent decades)

2. Backhouse, R. Tribe, K. 2017. *The History of Economics: A course for Students and Teachers*, Columbia University Press (this new book is structured around 25 chapters, each presenting a short introduction to a topic and providing a reading list. It is a good source to read after debating a topic, once you have read primary articles written by economists in the postwar, to yoke different lines of thought together.

3. Rodrik, D. 2015. *Economics Rules*. Oxford University Press (this is not a history of economics book, but a kind of post-crisis statement aimed at explaining mainstream economists' current practices, their strengths and limits. It is very clear and best encapsulates the current consensus in economics on the various longstanding questions you will be debating).

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Week 3 (3 hours) : Is economics too mathematized?

Tweeted lecture:

I've been teaching post-45 mathematization of econ to [@Bachelor_X](#), so here's a tweetstorm on the topic

2 main ideas:

1) debates were not just on whether to mathematize but which maths to use

2) w/ tools were also imported mathematics epistemology & image battles on pure vs applied

pic.twitter.com/onJl7lhE6E

— Beatrice Cherrier (@Undercoverhist) [March 7, 2019](#)

Primary sources (1950s)

1) Machlup, Fritz; 1952. "Introductory remarks," *American Economic Review* (AER), 42 (2) (here's the [link to the whole AER issue](#) [gated])

2) Boulding, Kenneth, 1952. "Implications for General Economics of More realistic Theories of the Firm," AER 42 (2)

3) Knight, Frank, 1952. "Institutionalism and empiricism in economics," AER 42 (2)

4) Samuelson, Paul, 1952. "Economic Theory and Mathematics – An Appraisal," AER

5) Collective, 1952. "Discussion", AER

6) Arrow, Kenneth, 1952. "Mathematics Models in the Social Sciences," *Cowles Commission Paper* [[ungated version](#)]

–Secondary sources (background papers written by historians)

7) Backhouse, R. 2015. "Revisiting Foundations" *JEL* 53(2) [[ungated](#)]

8) Weintraub, R. 2008. "Mathematics and Economics" *New Palgrave Dictionary of Economics*, Durlauf and Blume (eds), 2nd edition [[ungated draft](#)]

9) Backhouse, R. Tribe, K. "The Rise of Mathematical Economics" in *History of Economic Course* above

–Recent debates (2010s)

10) Romer, P., 2014. "The trouble with Macroeconomics," working paper (this paper should be compared with the published version: Romer, P. 2016. "Mathiness in the Theory of Economic Growth" *AEA Papers and Proceedings* 105(5) [gated] and supplemented with excerpts from Romer's blog and other reactions you can find online)

Week 4 (3 hours): What should come first: theory or data?

Tweeted lecture:

1/ Weekly lecture was on "what should come first: theory or data?" so here's tweetstorm on the history of quantitative economics

Focus was on 1952 'Measurement w/o theory' debate b/w Cowles & NBER – replayed as structural vs reduced-form in 2000s & uses of machine learning now pic.twitter.com/QMHRIGmosz

— Beatrice Cherrier (@Undercoverhist) March 13, 2019

Primary sources

1) Koopmans, Tjalling. 1947. "Measurement Without Theory," *Review of Economics and Statistics (Restat)* [ungated]

2) Vining, Rutledge, 1949. "Koopmans on the choice of variables to be studied and of methods of measurement," *Restat* [gated]

3) Koopmans, Tjalling, 1949. "A Reply," *Restat* [gated]

4) Koopmans, Tjalling, 1950. "A rejoinder," *Restat* [gated]

Secondary sources

5) Mirowski, P. 1989. "The Measurement without Theory controversy: defeating rival research programs by accusing them of naive empiricism" *Economies et Sociétés* 11 [ungated]

6) Panhans, M. Singleton, J. 2017. "The empirical economist's toolkit: From models to methods." *History of Political Economy* 49 (Supp). [published] [ungated draft]

Recent debates

7) Joshua D. Angrist & Jörn-Steffen Pischke, 2010. "The Credibility Revolution in Empirical Economics" *Journal of Economic Perspectives* 24(2) [ungated]

8) Keane, 2010. "A structural perspective on the experimentalist school," *Journal of Economic Perspectives* 24(2) [ungated]

9) Sims, C. 2010. "But economics is not an experimental science." *Journal of Economic Perspectives* 24(2) [ungated]

Week 5-1 (3 hours): Are economic agents rational: expected utility theory?

Tweeted lecture for 5-1 and 5-2:

1/The 2 final @Bachelor_X debates were on "Are Economic Agents Rational?"

so here's a thread on how economists have defined rationality across 20th century.

Focus is on 2 debates: status of expected utility theory (EUT) in 50s & of Kahneman & Tversky's results in 70s to 90s pic.twitter.com/5x7I4II5yP

— Beatrice Cherrier (@Undercoverhist) [April 21, 2019](#)

Primary sources (from Paul Samuelson archives, Rubinstein Library, Duke University)

1) Friedman, M. Savage, 1948. "The Utility Analysis of Choice Involving risk," *The Journal of Political Economy*, Volume 56, Issue 4 [ungated]

2) Marschak to Samuelson, 11 May 1950 and response 15 May 1950

3) Savage to Samuelson, 19 May 1950 and response in July

4) Savage to Samuelson 12 August 1950

5) Samuelson to Friedman 25/08/50 and response 13 September 1950

6) Samuelson to Friedman 25/08/50 and response 13 September 1950

Secondary sources

7) Moscati, I. 2016. "Retrospective: How economists came to accept Expected Utility Theory," *Journal of Economic Perspectives* [ungated]

8) Heukelom, 2014. "A History of the Allais Paradox." *British Journal for the History of Science* 48 (01):1-23

Week 5-2 (3 hours): Are economic agents rational: behavioral economics and prospect theory?

Primary sources

1) Kahneman, Tversky, 1979. "Prospect Theory: An Analysis of Decision under Risk." *Econometrica* 47(2) [ungated]

3) Gigerenzer, G, 1991. "How to make cognitive illusions disappear: beyond 'heuristics and biases'". In W. Stroebe, & M. Hewstone (Eds.), *European review of social psychology* [gated]

4) Kahneman, D., & Tversky, A. 1996. "On the reality of cognitive illusions." *Psychological Review*, 103

5) Gigerenzer, G. 1996. On narrow norms and vague heuristics: a reply to Kahneman and Tversky (1996). *Psychological Review*, 103, 592±596.

Secondary sources

6) Vallois, Julien, 2012. "From Bayesianism and Frequentism to Market Experiments and Behavioral Economics: the 1996 controversy between Kahneman, Tversky and Gigerenzer," working paper

7) Heukelom, 2005. "The Origin of Prospect Theory, or Testing the Intuitive Statistician," working paper [[ungated](#)]

8) Sent, Esther, 2004. "Behavioral Economics: How Psychology Made Its (Limited) Way Back Into Economics;" *History of Political Economy* 36 (4) [[semi-gated](#)]

Recent Debates

9) Sunstein, C. Thaler, R. 2003. "Libertarian Paternalism is not an Oymoron" *The University of Chicago Law Review* 4(70) [[gated](#)]

10) Hertwig, R. Grüne-Yanoff, T. 2017. "Nudging and Boosting: Steering or Empowering Good Decisions," *Perspectives on Psychological Science* 12(6) [[ungated](#)]

11) Hausman, D. Welch, B. 2010. "Debate: To Nudge or Not to Nudge," *The Journal of Political Philosophy* 18 (1). [[ungated](#)]

Week 6 (3 hours): Should economic models be realistic?

Tweeted lecture:

1/ Weekly lecture was on "should economic models be realistic?"

So here's a thread on the making and legacy of Friedman's famous 1953 essay (F53), the main reason why economists spent countless hours wrangling over realism in the postwar <https://t.co/W7k4yjG68E>
[pic.twitter.com/JH20acgWCG](https://t.co/W7k4yjG68E)

— Beatrice Cherrier (@Undercoverhist) [March 26, 2019](#)

Primary sources

1) Lester, R. 1946. Shortcomings of marginal analysis for wage employment problems. *AER* 36, 63-82

2) Machlup, F. 1946. Marginal analysis and empirical research. *AER* 36(4), 519-54

3). Lester, R. 1947. Marginalism, minimum wages, and labor markets.

- 4) Machlup. 1947. Rejoinder to an antimarginalist. *AER* 37(1),137-54
- 5). Stigler, G. 1947. Professor Lester and the marginalists. *American Economic Review*, 37(1), 154-7
- 6). Friedman, M. 1953. "The Methodology of Positive Economics," *Essays on Positive Economics* [ungated]
- 7) Samuelson and Simon's 1963 response to Friedman, *American Economic Review* [ungated]

Secondary Sources

- 8) Backhouse, R. 2009, "Friedman's 1953 essay and the marginalist controversy" in Maki (ed), *The Methodology of Positive Economics: Reflections on Milton Friedman Legacy*, Cambridge University Press
- 9) Mongin, P. 1997 "The Marginalist controversy," *Handbook of Economic Methodology* (J. Davis, W. Hands and U. Maki eds, London, Edward Elgar, 558-562)
- 10) Morgan, M. 2008; "Models." *New Palgrave Dictionary of Economics* 2nd edition Durlauf & Blume (eds)
- 11) Emmett, R. 2016. "Chicago School" *New Palgrave Dictionary of Economics* 2nd edition Durlauf & Blume (eds)

Recent debates

- 12) Rodrik, D. 2018. "Second Thoughts on Economics Rules," *Journal of Economic Methodology* (+ read introduction and chapter 1 of *Economic Rules*) [ungated]

(see also Romer on mathiness from previous debates)

Week 7 (3 hours): Is economics Ideological?

Tweeted lecture:

1/Last week's lecture was on "Is Economics Ideological?"

here's my attempt to tame ubiquitous, elusive & oft negatively defined (as absence of ... neutrality/value-freedom/objectivity) term

Goal is not to tell a story but to use history to provide map to navigate these debates

pic.twitter.com/J1ou8popKX

— Beatrice Cherrier (@Undercoverhist) [April 12, 2019](#)

Primary Sources

- 1) Friedman, 1953. "The Methodology of Positive Economics" In *Essays In Positive Economics*. (Chicago: Univ. of Chicago Press, 1966) [ungated]

2) Schumpeter, J. 1949. "Science and Ideology," *American Economic Review* 39 (2) [ungated]

3) Heilbroner, 1970. "On the Limited Relevance of Economics," *Public Interest* [ungated]

4) Solow, R. 1970. "Science and Ideology in Economics" *Public Interest* [ungated]

Secondary sources

5) Daston, Galison. 1992. "The Image of Objectivity" *Representations* 40 (Autumn)

6) Nelson, 2016. "Male is Gender too: A Review of Why Gender Matters in Economics," *Journal of Economic Literature*, 54(4)

7) Mirowski, P. 2009 "Postface: Defining neoliberalism" in Mirowski & Plehwe (eds), *The Road from Mont Pelerin: The Making of the Neoliberal Thought Collective*. Cambridge MA: Harvard University Press: 417-455

8) Davies, W. 2014. "A Bibliographic review of Neoliberalism" *Theory, Culture and Society*

Recent debates

9) Economists for Inclusive prosperity (Rodrik, Naidu, Zucman 2019) [ungated]

There are several responses to the Rodrik-Naidu-Zucman piece. Please read as many as [you can here](#):

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