

# ELEMENTS OF ECONOMIC THINKING

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1. **Economic Thought as “Common Sense”. Popular Economics and the Popularization of Economic Thinking**
  1. Economic Reasoning and Common Sense
    - 1.1. Common Sense and Theoretical Reason
    - 1.2. Common Sense and Practical Reason
  2. Economic Thought as Heuristics and as Frameworks
  3. Popular Economics and the Popularization of Economic Thinking
  4. Economic Thought and Ideology
  
2. **Economic Thought as Thinking about “the Passions and the Interests” and the Role of Reason in the System of Political Order. The Emergence of Political Economy**
  1. A Basic Framework
    - 1.1 The “private vices-public virtues” model.
    - 1.2 The “structure-incentives-behavior” model.
  2. Modernity and the Management of Passion and Virtues
    - 2.1 Machiavelli and Hobbes – The “Man As Really Is” Doctrine
    - 2.2 Passions vs. Interests– Countervailing Strategies
    - 2.3 Reason and “The Reason of State”
    - 2.4 Doux Commerce Thesis
  3. Incipient Political Economy Analysis: Montesquieu, James Stuart, J. Milnar
  4. Adam Smith’s System of Natural Liberty
  
3. **Economic Thought as Thinking the Logic and Implications of Division of Labor, Specialization and Exchange.**
  1. Division of labor, specialization, exchange and the market – The System
  2. Models of specialization.
    - 2.1 Adam Smith.
    - 2.2 David Ricardo’s comparative advantage model.
  3. The theory of value.
    - 3.1 The labor theory of value and “the diamond-water paradox.”
    - 3.2 The subjectivist theory of value
  4. Division of Labor: Determinants and Implications
    - 4.1 Determinants: Nature, Nurture, Scope
    - 4.2 Positive and negative implications of specialization and division of labor
    - 4.3 The Division of Labor after Adam Smith: Marx, Spencer, Durkheim

**4. Economic Thought as Thinking About Wealth, the Factors of its Production and Distribution, and their Relationship to Socio-Economic Classes. Classical Political Economy and Marxism.**

1. The two faces of Classical Political Economy: Optimistic and Dismal
2. Classical Political Economy: The Theory
  - 2.1 The Free Market Model: Aggregated Supply and Demand Equilibrium
  - 2.2 Say's Law
  - 2.3 The Quantity Theory of Money
3. Impact on the 19century:
  - 3.1 Rationalization of social order along the Freedom Principle (Illustration: The Corn Laws)
  - 3.2 Source of Radical Doctrines.
    - 3.2.1 Exploitation theory
    - 3.2.2 Primacy of Labor/Wages model
    - 3.2.3 Iron Law of Wages – The Malthusian model
4. Class theory and exploitation in the Classical Political Economy tradition.
5. Marx and the Marxist economic thinking
6. Responses to exploitation theory

**5. Economic Thought as Thinking About Choice, Marginal Costs and Benefits, and Incentives. The Neoclassical Revolution (I)**

1. The theory of value revisited: The “water diamond paradox”, scarcity and desirability.
2. Opportunity costs (production possibility frontiers and causality chains in economic systems)
3. Marginalism:
  - 3.1 Marginal cost and marginal utility
  - 3.2 The variety of neoclassical thinking:
    - 3.2.1 Menger
    - 3.2.2 Jevons
    - 3.2.3 von Wieser
    - 3.2.4 Marshall
4. Incentives: Motivation theories and human decision-making
5. Subjectivism and value theory
6. Costs as analytical tools (accounting costs, transaction costs etc.)

**7. Economic Thought as Thinking Using Price Theory and Equilibrium Theory. The Neoclassical Revolution (II)**

1. Demand and Supply
2. Equilibrium – the concept and its construction.
3. Price theory and Market theory.
4. The variety of neoclassical economics thinking.
  - 4.1 Alfred Marshall

- 4.2 Carl Menger
- 4.3 Leon Walras
- 5. Equilibrium and disequilibrium in the neoclassical tradition
  - 5.1 The Austrian theory perspective
  - 5.2 The Schumpeterian perspective
  - 5.3 Models of Entrepreneurship
- 6. Economic Thought as Thinking About Efficiency and Equity in a Welfare Economics Framework. The Neoclassical Revolution (III)**
  - 1. Efficiency and equity. The Big Trade-off.
  - 2. The Theory of Allocation and Efficiency.
    - 2.1 Utilitarianism
    - 2.2 Pareto optimality
    - 2.3 Welfare economics. Welfare theorems
    - 2.4 State intervention based on allocation principles.
  - 3. The Theory of Distribution and Equity.
    - 3.1 Income theory
    - 3.2 Criteria for redistribution
    - 3.3 State intervention based on equity criteria principles
  - 4. Implications and consequences of the state intervention. Criteria limiting redistribution.
  - 5. Cost-Benefit analysis as an instrument of public policy. Willingness to pay.
- 7. Economic Thought as Thinking about the Magnitude, Dynamics and Stability of Macroeconomic Aggregates**
  - 1. The circular flow
  - 2. Measurement of stocks and flows in the economy
  - 3. Macroeconomic models
  - 4. Classical models vs Keynesian models
    - 4.1 Keynesism
    - 4.2 Monetarism.
  - 5. The structure of production - The Austrian theory perspective
  - 6. Entangled political economy - alternative thinking about macrosystems
- 8. Economic Thought as Thinking with “Social Mechanisms” Models and “Stylized Facts” Frameworks. Universal Economics.**
  - 1. “Social mechanism” and “model” based explanations.
    - 1.1 Taxonomies of goods
    - 1.2 Principal-Agent models: Asymmetric information, adverse selection, moral hazard etc.
    - 1.3 Transaction costs models
    - 1.4 Externalities models
    - 1.5 The IAD framework
  - 2. Economic Imperialism

- 2.1 Public Choice
- 2.2 Law and Economics
- 3.3 The economic analysis of crime, education, family etc.

## **9. The Limits of the Economic Way of Thinking**

1. Consumer sovereignty and normative individualism
2. The problem of preferences:
  - 2.1. The stability of preferences
  - 2.2. The clarity of preferences
  - 2.3. The reality of preferences
3. Ideas, beliefs, aspirations and preference formation. The doctrine of revealed preferences.
4. Normative theory and the diversity of values.
5. Behaviorism and the problem of realism, prediction and falsification in the epistemology and methodology of social sciences.
6. Ceteris paribus