

THE AGE OF ECONOMISTS: GLOBALIZATION, GROWTH AND INEQUALITIES

Professor: **David DUHAMEL**

Session: **July 2024**

Language of instruction: **English**

Number of hours of class: **36h**



Objective of the Course

The course is an overview of how economic thought has risen over the centuries, and how, since WWII, it has influenced neighboring disciplines such as political philosophy, common law, political science, sociology and psychology.

Each course will be devoted to a theme and a select number of authors. Economic news and current events in the largest sense will be mobilized to emphasize the longevity of our subject. We will use case studies, whether historical, experimental, or empirical, to engage discussion and show how the history of economic thought shaped - if not totally constructed - some of our most important contemporary debates (the undesirability of inequalities, the value of globalization, the commodification of human interaction, etc.). Dialogue will be encouraged. Teamwork and innovation will be put at a premium during the collective assignments. Each group of five students will research a given subject. Form and substance will both be graded.



Summary

“The age of chivalry is gone... now is the age of economists; and the glory of Europe is extinguished forever.” (Burke, 1790).

Globalization, free trade, growth and its possible end, the crisis, inequalities, the rise of AI and its impact on the labor market, populism, demographic trends... all of these subjects will be studied. From Gilgamesh and Aristotle to neuroeconomics and high frequency trading, this course aims to contextualize contemporary debates and underline how an economic “way of thinking” is now one of, if not the, dominant scheme in our lives, whether it is at the individual, societal, or planetary levels. Whether facing a Tinder account, a fiscal policy proposition or global warming, it seems that

one's "natural" reaction is to frame the problem the same way: a combination of cost/benefit analysis in a coordination game framework. How did we come to that?

While discussing how ideas and material conditions intertwine with History to create our world, we will attempt to make sense of our time. The last two hundred years have been characterized by a series of changes or shifts of unheard and poorly understood depth and promptness. Since 1800, wealth has been multiplied by 80, world population by 8, life expectancy by 2, child mortality divided by 10 and so on. Individualism, mass consumption, mass education and the emancipation of women have been the landmarks of an evolution that some dubbed: "The great acceleration." Add on top of that, ever-growing technological changes, rising inequalities and environmental degradation, and you get a multi-faceted situation that this course aims to understand synthetically or even, dare we say, "holistically."

As Keynes wrote, "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."

Better to be a self-aware economist than the slave of a dead one.



Organization of the course & Bibliography

Class 1. Introduction and Pre-History of Economics Thought

The economy always existed as a practice, but Economics as a discipline had to breakout from the domination imposed by Morals from antique times and Christian dogma. And even after a millennia-long escape, it still advanced bearing the mask of Politics. This course begins where all western stories begin with the Old Testament and the ancient Greeks.

Suggested reading:

Thomas Sedlacek, 2011, *Economics and Good and Evil*, Oxford University press

Class 2. The Rise of Individualism, from Thomas Aquinas to Rousseau

Methodological individualism takes over, as it is strengthened by nominalism and scientific revolutions, notably the Galilean one. Hobbes, the first Liberal, founded social contract theory. The individual becomes the sole recipient of legitimate power and reason becomes instrumental in the building of the state.

The course emphasizes the role of political liberalism in the coming of age of economics and takes a detour through political philosophy.

Class 3-4. The Classics, Setting Up the table: The Invention of Growth (Smith) and the Upending Doom (Malthus)

With Adam Smith, economics emerges as an autonomous discipline. English political economy forged the concepts that are still dominating the news today. This class is about the great questions. How and why did growth come to be? Will it always be there or are mature economies destined to secular stagnation or collapse? Are we sure we should be wishing for more growth? Is humanity on a trajectory of progress or decline? The course will underline the importance of growth and the idea that labor is at the source of any production of wealth. We will study this historical anomaly that is growth and try to understand why it appeared in Europe instead of elsewhere or not at all.

Suggested reading:

Hans Rosling, 2018, *Factfulness*, Sceptre Books, London

Paul Morland, 2022, *Tomorrow's people, The Future of Humanity in Ten numbers*, Picador

Class 5. The Case for Globalization (Ricardo and Montesquieu) and the Case Against It

Smith and Ricardo viewed international trade as a (mainly) mutually advantageous endeavor. Their theories of advantages (whether absolute or comparative) still account today as the main bulk of the case for free trade and globalization. Malthus' work will also be studied, as the pessimism of the classics will be discussed. The relation between trade and peace will be questioned, with the first globalization in mind. Even before the pandemic, trade was expected to grow at half the pace of the world's GDP. Is it time to roll back globalization? Or time to better understand the claims made by those who oppose it?

Suggested reading:

Michael Sandel, 2020, *The Tyranny of Merit*, MacMillan, USA

Class 6: The Long 19th century. Utilitarianism and Neo-classism: Building Economics' Language and Inventing Microeconomics. + a dash of Marxism

When Jeremy Bentham founded utilitarianism in reaction against the French Revolution and the Enlightenment, he gave economics its analytical framework: the calculus of pains and pleasures, a close relative to the cost-advantage analysis. Later in the 19th century neo-classism revolutionized classical economic thought and found a new theory of value. Following the general equilibrium theory, economists will strive to "mathematize" the world. Quite at the same time but indifferent and unaffected, Karl Marx created a whole new paradigm.

Suggested reading:

Michael Sandel, 2012, *What money can't buy*, MacMillan, USA

Class 7: The Keynesian Revolution

Born in a time of crisis, the Keynesian paradigm will rule the world for half a century. The 2008 Financial crisis offers the perfect illustration of the debate between Keynesians and monetarists. The main questions are still the same. Speculative bubbles, like the subprimes or the Tulip mania will be given a close look. The Covid-19 pandemic seems to be another perfect Keynesian crisis (at least until the end of 2021 where it has turned into a supply-side crisis), and will be studied as such.

Class 8: The Neo-Liberal Counterrevolution.

Theorized from Vienna and Chicago by Hayek and Friedman, promoted by Thatcher and Reagan and “helped” by an economic crisis that Keynesian remedies failed to solve, the ideology of economic liberalism conquers the world at the end of the seventies. Forty years later, prosperity and inequality have risen enormously.

Class 9: Rising Inequality. Are we forsaking our egalitarian roots?

The liberal cycle that started in 1980 has seen (causality or correlation?) prosperity increase worldwide but also rising Inequality inside societies. Between nation states caught in a fiscal race to the bottom and a winner takes all pattern among firms and individuals (resulting from both technology and Globalization). Inequality seems bound to rise as Global Justice is a distant dream.

Suggested reading:

Rutger Bregman, 2014, *Utopia for realists*, Bloomsbury

Class 10: Imperialism and Rational Choice Theory: The Trojan Horse

“Economics is a science which studies human behavior as a relationship between ends and scarce means which have alternative uses.” This famous quote from Lionel Robbins announces the imperialism of economics. The course studies the births of both rational choice theory and game theory. We will particularly focus on modern Theories of Justice as example of such Imperialism.

Class 11: Imperialism 1: The Limits of Imperialism.

Whether it is Globalization, the ecologic threat, the rise of inequalities or the emphasis made on the plurality of values, every contemporary debate seems to question the ideal hypothesis of traditional economics (individual rationality, perfect information, externalities). Many authors focus on the shortcomings of the homo economicus. The course will discuss experimental economics and other corpus such as the economics of conventions, neuroeconomics and climate change.

Suggested Reading:
Thomas Schelling, 1960, *The Strategy of Conflict*, Harvard University Press.

Class 12: We will probably be running late by then + Final Exam



Requirements for validation

Students will be expected to have read, seen or listened to all the required materials ascribed for every class.

A team-oriented work yet to be defined	50%
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And

A final written test during the last class	50%
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Professor's Biography



David Duhamel earned his doctorate in specialized economics, with a specific focus in the history of economic thought.

He is a professor at Sciences Po in Paris, as well as at ILERI and Parsons. He is an author and consultant of numerous films, which explore questions of economics, such as “The New Wolves of Wall Street,” and delivers offbeat presentations on complex topics related to economics, such as “Ecoland.”. He recently produced a podcast about demographics trends untitled: A Childless World.