# 117 Economic Thought

Some of the big ideas....

that we will come back to later in the course

# 3 Questions every economic system needs to answer post 1750

- What? Market + Government
- How? Man or machine
- For whom? who gets the goods+services

# Some big thinkers...

- C18-19<sup>th</sup>: Classical; Adam Smith, Malthus, Ricardo
- C20<sup>th</sup>: Keynesian; JM Keynes
- Neo Classical; Friedman, Hayek
- C21th: Circular Economy (doughtnut economics; Kate Raworth)

#### Economic thinkers...

### Thought Line: 'linear to circular'

- Rennaissance
- Industrial revolution
- enlightenment

#### C18th

#### **Classical Economics**

- Adam Smith
- Ricardo (trade)
- Malthus (population)

#### C<sub>18</sub>th

- Laissez faire
- Invisible hand
- Market efficiency
- specialisation

#### C19 th

- Macro
- Say's Law: supply creates its own demand. Economic system stable
- Marxism

#### C19 th

**Classical Economics** 

#### Micro:

- Bentham
   Utility –arianism
- Walras
   Marginal theory

- C19 th
- Say's Law: supply creates its own demand
- Circular flow limitations

- C20th
- Macro: rise of macroeconomics in response to 1929.
   Kuznets 1934 GDP. Bretton Woods Conference 1944.
   Era of unsustainable growth commenced.
- Keynesian interventionist economics
- Neo classical/Friedman/Hayek-Austrian school/ Chicago school/market efficiency

C21<sup>th</sup>

Circular

Economy:

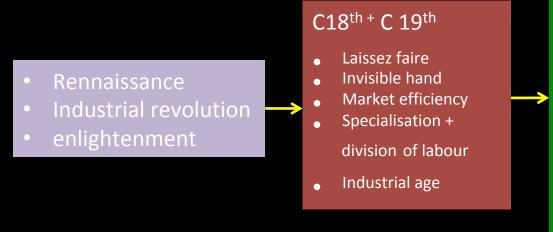
Raworth

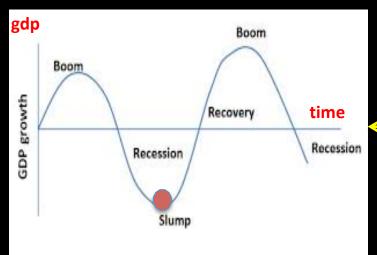
'Green GDP'

Webnote 117 Economic Thought

#### Economic thinkers...

### Thought Line: 'linear to circular'





How to solve the macroeconomic problem?

1929: 10+ year depression

## C20th: Market or Government Debate

- Macro: rise of macroeconomics in response to 1929.
- How to revive (U.S.) world economy from slump:
- A) Keynesian interventionist economics where government intervened with massive spending programmes e.g. New Deal in the USA or 'Covid' spending in the UK when in Q2 of 2020 the macroeconomy contracted by 19.8%

OR

B) Neo classical/Friedman/Hayek-Austrian school/Chicago school/believers in market efficiency i.e. market would self recover.

# Some big debates...

- Classical + neo classical vs keynesian
   market vs intervention (how to manage a macroeconomy?)
- 2. Man or machine? How to manage the macro economy? The Moniac model of macromanagment.

### <u> https://youtu.be/rAZavOcEnLg</u>

- 3. Rise of Macroeconomics: Kuznets 1934 GDP. Bretton Woods 1944 GDP established as key macro tool. Race for GDP growth. Unsustainability.
- 4. linear vs circular economy: Sustainability 18<sup>th</sup>, 19<sup>th</sup> + 20<sup>th</sup> (linear growth) century economics vs 21<sup>st</sup> century (circular growth)

# **Doughnut Economics**

• Short version:

https://youtu.be/Mkg2XMTWV4g

Long version:

https://youtu.be/1BHOflzxPjl