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Faculty of Economic, Commercial and Management Sciences
Department: Common Core

Printed Directed Works for First-Year Bachelor Students – Common Core

In the module of:

The History of Economic Thought

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These Directed Works are designed for students:

- Level: First-Year Bachelor's
- Department: Common Core
- Field: Economic Sciences, Commercial Sciences, and Management Sciences

According to the scheduled program designed to align with the First-Year Bachelor's training offer, which includes the following content:

"Axis One Economic Thought in Ancient Eastern Civilizations

Axis Two Economic Thought in Ancient Western Societies and Medieval Europe

Axis Three Mercantilist Economic Thought (The Mercantilists)

Axis Four Economic Thought in the Islamic Era

Axis Five Physiocratic Economic Thought

Axis Six Classical Economic Thought

Axis Seven Liberal Capitalist Economic Thought and Its Stages

Axis Eight French Socialist Thought and Marxist Theory

Axis Nine Economic Thought of the German Historical School

Axis Ten Marginalist Neo-Classical Economic Thought

Axis Eleven Keynesian Economic Thought and Contemporary Economic Theories (Post-Keynesian)" (Faculty of economic sciences, commercial sciences and sanagement Sciences, 2023/2024, p. 02)

Directed works will be conducted as listed in the Table of Contents.

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Introduction to the Directed works

The study of economic thought's history includes using directed works that allow students to investigate and research all eras of Development in Economic Ideas. These directed works include developing an understanding of the theoretical and intellectual foundations of the economic development within a social, political, and cultural context. Directed works let graduate students gain skills for conducting critical analyses and an in-depth understanding of the ideas behind many of the economic concepts.

The directed studies will consist of a number of coordinated sessions covering major schools of thought and significant thinkers in economics. The main topics include Commercial Thought, The Physiocrats' Naturalistic School of Thought, Classical Economics, French Socialism, Marx, The German Historical School, The Marginal and Neo-Classical Schools, and Keynesian and Post-Keynesian Economics. In addition, students' abilities to participate in group discussions and engage in critical thinking will be cultivated through the development of a strong link between theory and its application to their day-to-day lives as well as the original writings of the economists being studied.

Learning Objectives of the Directed works

This printed directed work aims to:

- Enable the student to understand the evolution of economic thought through the ages and to link theories with historical and social transformations.
- Develop his ability to analyze different economic schools and compare them critically.
- Provide him with methodological thinking skills in studying economic phenomena from a historical perspective.
- Strengthen his awareness of the importance of the economic intellectual heritage in explaining modern economic policies.
- Understand the Islamic contribution to economic thought and its impact on developing financial and social concepts.
- ideas in modern branches of thought such as Mercantilism, Physiocracy, Classical, Socialist and Marxist thought. Examine the history and background and principal thinkers of and developed by Keynes and modern thought.
- Identify major macroeconomic concepts.
- Improve your ability to present and talk about things by doing directed works and group work.

***The Introductory Session for Directed works: Introduction to the Working Method in
Directed works***

Introduction

During this Directed works, students will learn about the historical evolution of economic thought through a presentation of the soon-to-be-given lecture series, specialized in the most important schools of thought and historical phases of economic ideas. Students will also become informed about how to prepare directed research, including defining the research problem, establishing objectives for the research, identifying the research plan, citation and referencing, and reporting the results in a scientific fashion. Students will also take time to review the directed research topics that would be assigned to them; and through this review, students can notice the evolution of economic thought from ancient to modern and make connections to theories and concrete analysis.

1. Explanation of Directed works

During the Directed works, students will learn about the historical evolution of economic thought through a sequence of practical discussions and guided analyses, as well as through the accompanying research they undertake. Each session is centered on a specific stage of economic thought and its respective school of economic thought to better allow students to grasp the development of economic ideas and its application to modern theories.

2. Summaries of Directed works

2.1 First Directed work session: Introduction to the History of Economic Thought

In this session, students will get to know the emergence and development of economic thought, the importance of studying economic history, and how social and political transformations contributed to shaping economic theories, through the research assigned to them.

2.2. Second Directed work session: Economic Thought in Ancient Eastern Civilizations

In this session, students will get to know the main economic ideas in ancient Eastern civilizations such as India and Mesopotamia, with a focus on the relationship between religion, ethics, and the economy, and the first concepts related to trade and governance, through the research assigned to them.

2.3. Third Directed work session: Economic Thought in Greece

In this session, students will get to know the ideas of Greek philosophers such as Plato and Aristotle regarding property, labor, and justice, and how their reflections contributed to the foundation of later economic thought, through the research assigned to them.

2.4. Fourth Directed work session: Economic Thought among the Romans

In this session, students will get to know the organization of the Roman economy, taxation, trade, and the role of the state in organizing social and economic life, through the research assigned to them.

2.5. Fifth Directed work session: Economic Thought in the Middle Ages

In this session, students will get to know the influence of the Church and religious thought on economic life, the moral dimension of prices and trade, and the Church's stance on usury and wealth, through the research assigned to them.

2.6. Sixth Directed work session: Economic Thought in Islam

In this session, students will get to know the main principles of Islamic economic thought, including justice, zakat, endowment, and the balance between individual interest and the public good, through the research assigned to them.

2.7. Seventh Directed work session: Commercial Thought (Mercantilism)

In this session, students will get to know the main principles of mercantilist thought, its connection to the rise of the nation-state and international trade, and the role of the state in promoting exports and accumulating precious metals, through the research assigned to them.

2.8. Eighth Directed work session: Economic Thought of the Physiocrats (Naturalists)

In this session, students will get to know the concept of the "natural order" according to the Physiocrats, and their view of land and agricultural production as the main source of national wealth, through the research assigned to them.

2.9. Ninth Directed work session: Classical Economic Thought and Capitalist Liberalism

In this session, students will get to know the ideas of Adam Smith and other classical economists, especially the concept of the "invisible hand," economic freedom, and the self-regulating mechanism of markets, through the research assigned to them.

2.10. Tenth Directed work session: French Socialist Economic Thought and Marxist Thought

In this session, students will get to know Karl Marx's critique of capitalism, the concept of surplus value, and the main features of French socialist thought focusing on equality and social reform, through the research assigned to them.

2.11. Eleventh Directed work session: Economic Thought of the Historical School in Germany

In this session, students will get to know the historical methodology of the German Historical School, its focus on the influence of institutions and history in the economy, and its criticism of abstract classical models, through the research assigned to them.

2.12. Twelfth Directed work session: Marginal and Neoclassical Economic Thought

In this session, students will get to know the development of marginal analysis by Menger and Walras, and how the concept of marginal utility explained individual decisions and price determination, through the research assigned to them.

2.13. Thirteenth Directed work session: Economic Thought of Keynes

In this session, students will get to know the main ideas of John Maynard Keynes regarding unemployment, aggregate demand, and the role of the state in achieving economic balance, through the research assigned to them.

2.14. Fourteenth Directed work session: Contemporary Economic Thought (Post-Keynesian)

In this session, students will get to know the development of economic thought after Keynes, with a focus on the Neo-Keynesian and Monetarist schools and their influence on modern economic policies, through the research assigned to them.

3. Methodology for Preparing a Directed Research for Students

The proposed methodology seeks to provide a scientific, holistic, and evidenced-based approach for students to prepare their directed research process that showcases their capability to analyze, understand, and apply.

3.1. Understanding the Research Topic

- The student conducts an initial reading on the research topic assigned to him/her by the professor.

- The student identifies the main research problem in the form of a question or axis that guides the study.

3.2. Formulating the Problematic and Research Objectives

- Defining the main problematic: the main question that the research is trying to resolve.
- Clarifying the research objectives: what a student wants to reach round (analysis, comparison, interpretation, evaluation...).
- Formulation of hypotheses and/or initial presumptions if applicable.

3.3. Research Plan (General Structure)

The research ideally should contain a clear and logical plan; normally it will be composed of the following:

First: Introduction

- A brief presentation of the topic and its significance.
- Defining the problematic, objectives and methodology of the work.

Second: Presentation (Analytical Content)

- Discussing the main ideas of the topic through a coordinated analysis, that will be split into chapters or sections.
- Using scientific references to support the analysis with evidence and theoretical models.

Third: Conclusion

- A brief presentation of the main results obtained.
- Suggesting recommendations or open conclusions for future research.

3.4. Documentation and References

- Documenting all quotations or ideas taken from other sources.
- Adopting the APA system or any referencing system approved by the professor.
- Including a reference list at the end of the research arranged alphabetically.

3.5. General Format of the Research

- Number of pages: 10 to 15 pages.
- Font: Simplified Arabic or Times New Roman (size 14 for text and 16 for titles).
- Line spacing: 1.5, with consistent margins.
- Cover page: includes the student's name, group, professor, research title, and academic year.

3.6. Presentation and Discussion

- Presenting the research in the assigned work session.
- Duration of the presentation: 10 to 15 minutes.
- Opening a group discussion to exchange opinions and corrections under the supervision of the professor.

4. List of Work Research Topics Assigned to Students

Table 2.1 includes The list of Work Research Topics Assigned to Students as follows:

Table 1. List of Work Research Topics Assigned to Students

Directed work session Number	Research Title	Students Assigned to the Research
The first Directed work session	The Evolution of Economic Thought and Its Importance in Understanding Modern Theories	
The second Directed work session	The Economic Organization in Ancient Egyptian or Babylonian Civilization	
The third Directed work session	Plato and Aristotle’s Ideas on Property, Labor, and Economic Justice	
The fourth Directed work session	The Economic System in Ancient Rome and Its Role in Social Life	
The fifth Directed work session	The Influence of the Church on Economic Thought in the Middle Ages	
The sixth Directed work session	The Economic Principles in Islam and Their Role in Achieving Social Justice	
The seventh Directed work session	The Relationship between Mercantilism and the Rise of the Nation-State and International Trade	
The eighth Directed work session	The Concept of “Natural Order” in Physiocracy and Its Impact on Classical Economic Thought	
The ninth Directed work session	Adam Smith’s Contribution to Classical Economics and the Idea of the Invisible Hand	
The tenth Directed	Karl Marx’s Critique of Capitalism and the	

Directed work session Number	Research Title	Students Assigned to the Research
work session	Concept of Surplus Value	
The eleventh Directed work session	The Methodological Features of the German Historical School and Its Difference from Classical Economics	
The twelfth Directed work session	The Marginal Analysis of Value and Utility in the Works of Menger, Jevons, and Walras	
The thirteenth Directed work session	Keynes' Ideas on Unemployment and the Role of the State in Achieving Economic Balance	
The fourteenth Directed work session	The Development of Economic Thought after Keynes: The Neo-Keynesian and Monetarist Schools	

Source: Prepared by author

Conclusion

By the end of the directed session, students will become familiar with the stages and schools of thought in the history of economic thoughts, and will have a clear understanding of how to conduct directed research following a coherent scientific methodology. They will also develop the ability to generate connections between their theoretical knowledge and a variety of scientific sources and their own assigned research, and thus improve their understanding of economic thought and its historical evolution, and in turn assist them in analyzing contemporary economic thought in historical, and methodological context.

The first directed work session : Introduction to the History of Economic Thought

Introduction

In this first Directed work session, the students begin by presenting a research prepared in advance by a team among them, entitled *The Evolution of Economic Thought and Its Importance in Understanding Modern Theories*, and then it is discussed with their colleagues under the supervision of the professor, which helps in applying theoretical knowledge and linking it with scientific sources. After that, a set of directed questions will be presented to the students to answer and discuss, aiming to enhance their understanding of the basic concepts of economic thought and its historical development, and to understand the historical context of each stage or school of thought.

1. Summary of the Lecture: Economic Thought, Its Sources, and Historical Development

The focus of this talk will be economic thought. Economic thought refers to some ideas and beliefs that people have produced over the years to understand, and explain what is happening in the economy. The aim of economic thought is to make clear the rules that govern economic activities, and to suggest solutions to economic problems. Economic thought has developed over time, starting with philosophical and religious reflections on economic issues, moving to systematic economic theories, and ultimately leading to modern economics as a separate field of study.

The study of economic thought is closely related to both economic history and economics itself. Economic history provides the facts and events experienced by human societies, while economic thought analyzes them and derives laws from them. Meanwhile, economics works on formulating these laws within a scientific and methodological framework that can be tested.

Studying the history of economic thought is important because it helps students understand how economic theories have changed over time and in different places, how to avoid making the same mistakes as before, and how economic ideas are not absolute. It is a basic introduction to modern economic theory and a great source of real-life examples of how to manage economic activity.

Relative to the sources of economic thought, they were somewhat different during the stages of development in the history of economics, especially in the period of commercial capitalism, when the state, persons of authority associated with the state, large trading companies, and the main resources of the state were foreign trade and the Crown's representatives. This confluence of forces brought about mercantilist economic thought,

which emphasized the role of states to create a surplus in trade and the accumulation of gold and precious metals as testimony and evidence of economic power.

In conclusion, the study of economic thought represents the essential foundation of economics as a science and as a human behavior because it links the past to the present and demonstrates how social, political, and commercial change contributed to the construction of the economic theories we study today.

2. Questions

2.1. Question 1:

Answer the following questions:

1. What does the term "economic thought" mean?
2. What is the fundamental goal of learning about economic thought?
3. What were the first ideas about economics in ancient times?
4. How are economic history and economic philosophy related?
5. Why is it impossible to distinguish economic philosophy from economic history?
6. What is the distinction between economic philosophy and economics as a discipline?
7. What are the different stages of learning about economics that the lecture talked about?
8. Why is it important to learn about the history of economic thought?
9. What does it imply to state that economic philosophy is "relative"?
10. Who were the most important people who helped early economic theory grow?
11. What were the most important ideas about economics in the Middle Ages?
12. How did commercial capitalism help shape the way people thought about economics?
13. What part did the government play in shaping economic ideas during the time of commercial capitalism?
14. that were the people that helped shape economic philosophy during that time?
15. How did big trading firms like the East India Company change the way people thought about economics?
16. How did trade with other countries shape the growth of mercantilist ideas about the economy?
17. What was the main idea about economics that mercantilists had?
18. How did mercantilist ideas help the classical school come to be?
19. How does knowing about economic philosophy help us understand modern economic problems?
20. What is the main point that can be made about studying economic thought?

2.2. Question 2:

Pick the right answer.

1. What language did the most important economic literature in ancient Indian thinking use? A. Arabic B. Tamil and Sanskrit C. Persian D. Chinese
2. Which of the following manuscripts is thought to be one of the oldest texts about economics in ancient India? A. Arthashastra B. Vedas C. Tirukkuraḷ D. Mahabharata
3. What did people in ancient India think about the economy? A. Only materialistic B. Philosophical and not based in reality C. A blend of religion and material principles D. Political and useful
4. Who wrote the book "Arthashastra"? A. Valmiki B. Kautilya (Chanakya) C. Thiruvalluvar D. Gandhi
5. Which of the following books is Tamil literature? A. Vedas B. Tirukkuraḷ C. Arthashastra D. Mahabharata
6. Old Indian economic texts looked at the connection between: A. Only trade and the state B. Ethics, religion, and the economy C. Technology and industry D. Politics and agriculture
7. What economic ideas were talked about in the "Arthashastra"? A. Fairness in society B. Managing the state, taxes, and trade C. Art and literature D. Philosophy and education
8. Which of the following shows how ancient Indian economic theory was concerned with ethics? A. Forcing the government to have a monopoly B. Only supporting the creation of wealth C. Supporting fairness and equality in transactions D. Lessening the influence of religion in the economy
9. What book had rules and morals about how to live socially and economically? A. Dharmashastra B. Tirukkuraḷ C. Mahabharata D. Vedas
10. What was the ruler's function in ancient Indian economic thought? A. Only collecting taxes B. Running the economy and making sure justice is done C. Only protecting religious leaders D. Paying for trade with other countries
11. Which text talked about the idea of "work as a sacred duty"? A. Mahabharata B. Arthashastra C. Dharmashastra D. Tirukkuraḷ
12. What is the most important thing about ancient Indian economic thought? A. Total individualism B. Religious and collective character C. Dependence on free markets D. Not accepting the caste system
13. Ancient Indian thought said that money should be gotten: A. By whatever means available; B. via legal labour and morals; C. Only via inheritance; D. Through financial speculation.

14. What did ancient Indian economists think about farming? A. Dishonourable profession B. The basis of riches and economic existence C. Secondary activity D. Work only for priests

15. Which text was about controlling how people act in the economy? A. Dharmashastra B. Vedas C. Arthashastra D. Mahabharata

16. Some of the values that ancient Indian economic thinking stressed were: A. Selfishness B. Justice and altruism C. Competition between individuals D. Pure materialism

17. Who was in charge of making sure that everyone in ancient India had fair access to money? A. Religious leaders B. Businesspeople C. The king (ruler) D. The general public

18. What did ancient Indian literature say about how society was? A. By showing social hierarchy and responsibilities B. By not paying attention to social classes C. By pushing for total materialism D. By just talking about war

19. Which of the following works talked about trade ethics? A. Mahabharata B. Tirukkuraḷ C. Arthashastra D. Vedas

20. What did ancient Indian thinkers think was the main objective of economic activity? A. Getting personal gain only B. Finding peace in society and the spirit C. Getting a lot of money D. Outdoing other countries

2.3. Question 3:

Answer the following questions:

1. Complete the table that shows the relationship between economic history, economic thought, and the science of economics:

Field	Subject of Study	Main Role	Nature of the Relationship with Other Fields
Economic History			
Economic Thought			
Economics			

2. Fill in the following table explaining the sources of economic thought during the period of commercial capitalism and the role of each source:

Source of Economic Thought	Main Characteristics	Role in Shaping Economic Thought
The State		
Individuals Connected to Authority		

Large Commercial Companies		
Representatives of Commercial Companies		
Foreign Trade		

3. Classify the stages of the development of economic thought in a chronological table as presented in the lecture:

Stage	Dominant Intellectual Characteristics	Nature of the Treatment of Economic Phenomena

3. Answers

3.1. Answers to question 1:

1. Economic thought is a collection of ideas and theories that explain how economic resources are managed and distributed, as well as the rules that govern economic events in light of how societies have changed over time.

2. The goal is to learn more about how economic ideas and theories have changed throughout time and how they relate to changes in politics and society, so that we can better comprehend today's economic difficulties.

3. It started out as moral and theological thoughts on justice, wealth, and trade in places like India, Egypt, and Greece. It wasn't its own science like it is now.

4. The two fields work together: economic history gives us facts and realities, while economic theory uses those facts and realities to come up with laws and ideas.

5. The evolution of economic theory is a direct response to historical events and transformations in economic reality.

6. Economic thought is the stage of reflection that comes before scientific basis, and economics is the stage when ideas are put together into theories and rules that can be tested scientifically.

7. It went through three steps:

-Economic history (facts)

-Economic theory (theoretical analysis)

-Economics (scientific and methodological formulation)

8. It illustrates how theories you learn can change over time, attempt to avoid the same mistakes again, and relate economic ideas to their social, political, and intellectual contexts.

9. This means that economic ideas are subject to fluidity based on context and the time, place, and cultural and social contexts in which they were developed.
10. Plato and Aristotle of ancient Greece; Kautilya of ancient India; and the Scholastics in medieval Europe are among the most notable.
11. Economic thought was closely bound to religion and ethics, which were centered on fair pricing, prohibitions against usury, and engaging in commerce in a manner consistent with religious and moral principles.
12. The onset of commercial capitalism led to new notions regarding the role of the state, trade with a wider world, and notions of wealth accumulation that became the foundation for mercantilism.
13. The state was the key player, appropriating sovereignty over trade, the surplus of trade, and the accumulation of gold and silver signals of economic power.
14. Kings, advisors, merchants, and the bourgeoisie were vested in policies of economics and trade with a cross-national perspective.
15. Big trading enterprises helped people think about supporting commercial monopolies, economic colonialism, and setting up overseas trade to benefit the state.
16. Foreign commerce was seen as the best way to make the country rich by keeping a trade surplus and adding to the country's stockpile of precious metals.
17. The state becomes rich by selling more goods to other countries and buying less goods from other countries to get more gold and silver.
18. By starting a conversation on the role of the state, commerce, and economic freedom, which later philosophers like Adam Smith used to urge for minimal government intervention and market freedom.
19. Understanding economic thought helps you find the foundations of contemporary theories and comprehend their contexts, which makes it easier to look at the economic reality with a critical and informed mind.
20. Economic thought is the historical collection of human experiences that help us comprehend economic events. We can't understand modern economics without looking at how its ideas have changed over time.

3.2. Answers to question 2:

1. B. Tamil and Sanskrit
2. B. Vedas
3. C. A combination of spiritual and material values
4. B. Kautilya (Chanakya)

5. B. Tirukkural
6. B. Religion, ethics, and the economy
7. B. Trade, taxes, and running the state
8. C. Making sure that transactions are fair and equitable
9. A. Dharmashastra
10. B. Taking care of the economy and making sure justice is done
11. A. The Mahabharata
12. B. The character of the group and religion
13. B. By following the law and being honest
14. B. The basis of wealth and economic existence
15. A. Dharmashastra
16. B. Kindness and fairness
17. C. The king (the person in charge)
18. A. By showing social hierarchy and responsibilities
19. B. Tirukkural
20. B. Getting sociable

3.3. Answers to question 3:

1.

Field	Subject of Study	Main Role	Nature of the Relationship with Other Fields
Economic History	Economic facts and events experienced by societies throughout history	Providing economic facts and experiences	Supplies economic thought with raw material for analysis
Economic Thought	Ideas and conceptions that interpret economic phenomena	Interpreting facts, deriving laws, and proposing solutions	A linking bridge between economic history and economics
Economics	Scientifically formulated economic laws and theories	Organizing theories and testing them using a scientific method	A mature stage in the development of economic thought

2.

Source of Economic	Main Characteristics	Role in Shaping Economic
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Thought		Thought
The State	Strong intervention in economic activity and regulation of trade	Directing economic policies and protecting national interests
Individuals Connected to Authority	Rulers, advisors, aristocrats, bourgeoisie	Influencing the formulation of economic policies
Large Commercial Companies	Operate under state protection and engage in foreign trade	Spreading concepts of trade monopoly and market organization
Representatives of Commercial Companies	Economic actors who write and influence decision-making	Supporting ideas that promote trade expansion and profit maximization
Foreign Trade	A central element of commercial capitalism	Achieving trade surplus and accumulating precious metals

3.

Stage	Dominant Intellectual Characteristics	Nature of the Treatment of Economic Phenomena
Philosophical and Religious Stage	Economic thought linked to ethics, religion, and philosophy	Evaluating economic phenomena according to moral standards
Analytical Intellectual Stage	The beginning of systematic thinking about economic issues	Interpreting economic relationships and linking them to reality
Stage of Economics as a Science	Adoption of the scientific method and formulation of theories	Studying economic phenomena through laws and scientific models

Conclusion

At the end of this Directed work session, the students have first participated in presenting the research and discussing it with their colleagues, which provided them with the skill of analysis and scientific critique, then they were able to answer the questions and discuss them collectively, which strengthened their understanding of the stages and schools of thought in the history of economic thought. They also acquired the ability to link

theoretical knowledge with practical research practices, which qualifies them to discuss and analyze contemporary economic ideas in light of the historical and methodological development of economic thought, with emphasis on the importance of the research presented entitled *The Evolution of Economic Thought and Its Importance in Understanding Modern Theories*.

The second directed work session: Economic Thought in Ancient Eastern Civilizations

Introduction

In this Directed work session, a group of students will present a research titled “The Economic Organization in Ancient Egyptian or Babylonian Civilization.” The session aims to deepen students’ understanding of how economic systems were structured in early Eastern civilizations, highlighting principles such as state control, agricultural management, and social justice. After the presentation, students are expected to discuss the evolution of economic organization in one of these civilizations, identify its main features and theoretical implications, and answer a series of direct and multiple-choice questions under the supervision of the instructor, reinforcing both comprehension and critical analysis.

1. Summary of the Lecture: Economic Thought in Ancient Eastern Civilizations

1.1. General Foundations of Economic Thought in Ancient Civilizations

Understanding economic activity in ancient Eastern civilizations is essential for tracing the evolution of human economic thought throughout history. Humanity transitioned from self-sufficiency to a more complex social and productive organization with the emergence of cities.

The earliest economic models comprised similar properties, for example:

- The subjection of economic activity to natural forces.
- The primitiveness of production tools and simplicity of the division of labor.
- The predominance of the idea of collective ownership in the beginning, followed with the growing idea of private ownership.
- The growing of trade and money as a means of economic exchange both internally and externally.
- These developments contributed to the dissolution of the tribal system and the rise of new forms of production and social organization, and thus the dawn of organized economic ideas.

1.2. Economic Thought in the Babylonian Civilization and the Code of Hammurabi

The Code of Hammurabi (around 1800 B.C.) is considered one of the oldest economic and social legislations in history.

It reflected the organization of economic life, including agriculture, herding, industry, trade, labor relations, and property rights.

Babylonian economic thought had several important aspects:

- First, it tended to focus on agriculture and the management of irrigated farmland.
- Second, there was a clear class structure of freemen, slaves, and poor laborers working for the wealthy.
- Third, the law was intended to primarily protect the interests of the owning and military classes, even while claiming to protect the weak.
- And finally, the state monitored economic activity to maintain social stability.

It is noted that Babylonian economic thought linked law with the economic and social order, forming the nucleus of the idea of economic organization through legislation.

1.3. Economic Thought in the Ancient Egyptian (Pharaonic) Civilization

The ancient Egyptian civilization had a strong central authority that was comprised of political, religious, and economic elements, as the Pharaoh and the state monopolized ownership of the main means of production, especially agricultural land.

The basic elements of the Pharaonic economic system were:

- Multiplicity of ownership types: state property, temple property, limited private property, and usufruct (the right of use without ownership).
- Predominance of agricultural activity centered on a well-established and stable irrigation system.
- Existence of forms of slavery, feudalism, and wage labor.
- There was a clear class division that separated the ruling class (the king, clergy, and high officials) from the class of the people (peasant, workers, and slaves).
- The limited nature of foreign trade limited to importing luxury items, as autarky was the dominant feature of the local economies. control over resources, taxation, and the distribution of production according to a tripartite system covering peasants' needs, taxes, and surpluses for the ruling class.

This model represents an early example of a centrally planned economy.

1.4. Economic Thought in Ancient India

India is believed to be one of the wealthiest ancient civilizations in terms of economic theorizing, in that its economy was closely intertwined with religion, ethics, and philosophy. For example, the Vedas, the Arthashastra and the Tirukkural engaged with a variety of economic issues.

Some of the most significant economic ideas within ancient Indian thought were:

-The concept of wealth and poverty: Wealth was seen as a source of status and security but poverty was viewed as a social deficiency and an impediment to religious obligations and duties.

-Agriculture as the root of the economy: Agriculture was viewed as the basis for economic life and a source of political and social stability, and emphasized improvements in production through technological means e.g. fertilization, crop rotation, water harvesting.

-The market and pricing: Indian thought referred to the mechanisms of supply and demand and bargaining, calling for market justice and the prevention of monopoly and excessive profit.

-Wages and work: It stressed on fair wages and timely payment, connecting wages to state revenue (no more than 25%).

-Taxes: As a social obligation, taxes should be moderate and fair, similar to "collecting honey without damaging the flowers".

-Ethical dimension: Economic life was connected to four spiritual and human aims, which were called Dharma (duty), Artha (wealth), Kama (pleasure), and Moksha (liberation). This philosophy hinted at a holistic conception of life that included the material and spiritual components of economy and society.

This exploration of economic education in ancient Eastern civilizations presents the idea that economy conversed with religion, ethics or politics; it was part of a system of social arrangements in which the economy is related to law and social justice if we analyze Babylon. While in Egypt, the economy was thought to the relationship between central authority, agriculture, and administrative coordination. In India, it was intertwined with ethical and spiritual values.

These civilizations laid the first foundations of human economic thought and contributed to shaping concepts that still exist today, such as economic justice, market regulation, the importance of agriculture, and wealth balance among social classes.

2. Questions:

2.1. Question 1:

Answer the following questions:

1. What was the main purpose of Hammurabi's Code in organizing economic life?
2. How did agriculture contribute to the stability of the Egyptian economic system?
3. What role did religion play in shaping Indian economic thought?
4. What are the main similarities between Babylonian and Egyptian economic thought?
5. How was the system of property organized in the Babylonian civilization?

6. What was the nature of the state's intervention in Egypt's economic activities?
7. How did Indian thought view the issue of wealth and poverty?
8. What distinguished Babylon's economy in terms of legal organization?
9. How did the natural environment (rivers) influence economic activity in these civilizations?
10. What common idea unites the three civilizations in their view of economy and society?

2.2. Question 2:

Pick the right answer: 1. Who established one of the first social and economic codes in history? A. Ahmose B. Hammurabi C. Buddha D. Akhenaten

2. The Egyptian economy was based mainly on: A. International trade B. Industry C. Agriculture D. Fishing

Fishing

3. Indian economic thought was mainly concerned with the concept of: A. Law and justice B. Dharma (moral duty) C. Political authority D. Taxation and production.

4. A fundamental feature of the Babylonian economy was: A. No legal regulation B. Only cooperative ownership C. State intervention in economic activities D. Complete market liberalism

5. The Egyptian economy was characterized by: A. A free economy B. A planned and centralized economy C. A barter system D. A completely private initiative

6. As per ancient Indian thought, agriculture was considered: A. An occupation of low status B. A secondary occupation C. The basis of economic and social life D. The right of the ruling class

7. Property in Babylonian civilization was: A. Entirely public B. Private without state regulation C. A mix of private and public under the state's surveillance D. Exclusively owned by temples.

8. The economic goal in ancient Egypt was: A. Individual profit B. Political stability and self-sufficiency C. Competition among individuals D. Expansion of foreign trade only.

9. Ethical values in Indian economic thought were linked to: A. The marketplace only B. The merchant class C. Religious and social duty D. Military authority.

10. A common feature among ancient Eastern civilizations was: A. Materialistic economic thinking B. The link between economy, religion, and ethics C. Separation of economy from society D. Total economic freedom

2.3. Question 3:

Answer the following questions:

1. Complete the table showing the main economic characteristics of ancient Eastern civilizations as presented in the lecture:

Civilization	Main Economic Activities	Ownership System	Role of the State	Social Structure
Babylonian Civilization				
Pharaonic Egyptian Civilization				
Ancient Indian Civilization				

2. Fill in the following table explaining the role of law, religion, and ethics in shaping economic thought in ancient civilizations:

Civilization	Main Source (Law / Religion / Ethics)	Economic Issues Addressed	Purpose of Economic Regulation
Babylon			
Egypt			
India			

3. Classify the main economic ideas of ancient Indian economic thought as discussed in the lecture:

Economic Concept	Main Characteristics	Ethical / Social Dimension
Wealth and Poverty		
Agriculture		
Market and Pricing		
Wages and Labor		
Taxes		
Ethics and Religion		

3. Answers:

3.1. Answers to Question 1:

1. To organize economic relations and achieve social justice.
2. By ensuring food stability and supporting irrigation and production systems.
3. By linking economy with moral values and the duty of Dharma.
4. Both emphasized state intervention to maintain stability.

5. A combination of private and public ownership under state supervision.
6. Full state control over agriculture, taxation, and production.
7. Wealth was seen as a virtue for fulfilling duties; poverty was viewed as a social flaw.
8. Precise economic regulation through Hammurabi's legal code.
9. Rivers supported agriculture, trade, and self-sufficiency.
10. The interconnection between economy, religion, politics, and ethics.

3.2. Answers to Question 2:

1. B. Hammurabi
2. C. Agriculture
3. B. Dharma (moral duty)
4. C. State intervention in economic activity
5. B. A planned and centralized economy
6. C. The foundation of economic and social life
7. C. A mix of private and public under state supervision
8. B. Political stability and self-sufficiency.
9. C. Religious and social duty.
10. B. The link between economy, religion, and ethics.

3.3. Answers to Question 3:

1.

Civilization	Main Economic Activities	Ownership System	Role of the State	Social Structure
Babylonian Civilization	Agriculture, irrigation, trade, crafts	Private ownership of land and slaves	Regulated economic and social relations through laws	Strong class system including free men, dependent workers, and slaves
Pharaonic Egyptian Civilization	Agriculture as the main activity, limited trade	State ownership, temple lands, private and usufruct	Strong central authority controlling land, production, and distribution	Two main classes: ruling class and producing class

		ownership		
Ancient Indian Civilization	Agriculture, trade, markets	Private ownership with moral and religious regulation	Regulated economy through moral, religious, and administrative principles	Society guided by ethical and religious values

2.

Civilization	Main Source (Law / Religion / Ethics)	Economic Issues Addressed	Purpose of Economic Regulation
Babylon	Law (Code of Hammurabi)	Property, labor, slavery, trade, agriculture	Protect social order and regulate economic relations
Egypt	Religion and State Authority	Land ownership, taxation, production, labor	Maintain stability and support central authority
India	Religion, Ethics, and Philosophy	Wealth, prices, wages, taxes, agriculture	Achieve social justice and moral balance

3.

Economic Concept	Main Characteristics	Ethical / Social Dimension
Wealth and Poverty	Wealth seen as dignity; poverty as social and moral degradation	Wealth must serve social stability
Agriculture	Backbone of the economy; given moral and religious value	Ensures social and political stability
Market and Pricing	Bargaining, supply and demand, price regulation	Fair pricing and prevention of exploitation
Wages and Labor	Timely payment; wages linked to job rank and state revenue	Considered a matter of social justice
Taxes	Moderate and progressive taxation	Taxes should return benefits to society
Ethics and Religion	Economy linked to Dharma, Artha, Kama, Moksha	Balance between material and spiritual life

Conclusion

In summary, this guided session gave students a chance to connect historical economic systems to the start of organized economic thought. Students considered the organization of economic activity as it relates to Ancient Egyptian and Babylonian societies and recognized the origins of modern concepts about economics such as planning, regulation, and state involvement for an orderly economy. Discussion and questions sought to elicit deeper understanding, both with an analytical eye to history and how concepts used in these ancient societies would frame economic theory and institutions moving forward.

The third Directed work session: Economic Thought in Greece

Introduction

In this class, a group of students represents a research paper entitled Plato and Aristotle's Ideas on Property, Labor, and Economic Justice. The Directed work begins with a presentation of Greek economic thought that explores how Plato and Aristotle integrated economics with social, moral, and political thought. The students examine Plato's utopian vision of an ideal city founded on structured labor, limited property, and the distribution of resources deemed fair, while they also contemplate Aristotle's practical, pragmatic, and ethical conceptions of property, money, and economic idea of justice. Guided by the professor, the students discuss the philosophical ideas, their implications for social order as well as ethical critiques, and then respond to a series of questions, both short answer and multiple-choice, to reflect on the implications of those philosophical ideas and their enduring relevance to understandings of economics in the Western tradition.

1. Summary of the Lecture: Economic Thought in Greece

1.1. Introduction to Greek Economic

Thought This lecture focuses on the economic ideas of two of the most significant Greek thinkers, Plato (428–348 BC) and Aristotle (384–322 BC). Their work established the foundation of Western economic and political philosophy, stressing the connectedness of economic action, social justice, ethics, and government action. Understanding their economic thought can assist students in appreciating the early evolution of economic thought and its pertinence to contemporary discussions about fairness, labor, property, and money.

1.2. Plato's Economic Thoughts:

Though Plato is not an economist in the contemporary sense, he offered a comprehensive framework that tied economics, politics, and morals:

- **The Ideal City (Utopia):** Plato envisioned a perfect city that is organized, with obvious different social roles, men and women treated as equals, and a limit on wealth for the ruling classes to maintain control over corruption. The political state is in charge of political activities but does not intrude on family life.
- **Division of Labor:** Labor should naturally reflect skills and individuals should practice the types of labor they are most capable of. The outcome is the greatest efficiency in economics which allows for social order.

- Money and Exchange: Money was to facilitate exchange and not to be the end itself. Plato warns of using precious metals as currency due to moral and social problems. Plato suggested a symbolic money to avert greed.
- Integration with Politics and Ethics: Economic activity needs to be for the common good of society not just for the increase of wealth stability and good, or justice.

1.3. Criticisms of Plato:

1. Restriction of private property for rulers and soldiers could create social inequality.
2. Fixed social classes might limit social mobility and individual freedom.
3. Idealization of philosophy over practical governance could make his model unrealistic.
4. Oversimplified view of economic work and lack of attention to market dynamics.

1.3. Aristotle's Economic Ideas Aristotle blended moral philosophy and economic practice:

- Value: He made a distinction between use value (the contribution to the well-being of an individual) and exchange value (payment for the used product in trade). Prices should be fair; monopolies are considered wrong.
- Money: As means of exchange, a measure of value, a store of wealth; give up intrinsic qualities, not value.
- Interest: rejected in all forms; money is for exchange, not to create income.
- Economic Justice: emphasis on fairness in trade, allocation of wealth based on needs and abilities, to act morally in economic exchanges.
- Practical Morality: Economic activity is inseparable from social ethics; trade and household economy needs to care about fairness and the common good.

Evaluation: In sum, Aristotle's contributions to property, money, value, interest, and social justice established him as an early thinker in the melding of ethics and economics. His thoughts have greatly informed later Western and Arab intellectuals and acted as a vital contribution to debates of fairness, efficiency, and collective responsibility in economic activity.

1.4. Similarities and Relevance

- While Plato focused on utopia and social organization, Aristotle focused on moral and practical principles.
- Both thinkers link economics to politics, ethics, and social order.
- Their thinking can be useful to analyze fairness, justice, labor specialization, and the ethical facet of money in society.

2. Questions: Open and Multiple-Choice

2.1 Open-ended questions:

Answer the following questions:

1. What was Plato's conception of the ideal city and its socio-political organization?
2. In what manner did Plato defend the division of labor in his ideal city?
3. What purpose did money serve in Plato's economic theory?
4. What were some leading critiques of Plato's economic thought?
5. How did Aristotle distinguish between use value and exchange value?
6. How did Aristotle view the role of money in society?
7. Why did Aristotle have an aversion of interest, and how does this relate to fairness?
8. How did Aristotle connect economic activity with moral and social norms?
9. What are the leading distinctions of Aristotle's and Plato's economic notions of justice?
10. How are Plato and Aristotle's economic ideas relevant to assessing modern Western economic thinking?

2.2. Questions with multiple correct responses:

Pick one alternative for each question:

1. Plato limited private property to: A. Farmers B. Rulers and soldiers C. Merchants D. Slaves
2. Plato believed that the labor division was based on: A. Social class B. Natural functions C. Random assignment D. Wealth
3. Plato considered money to be: A. A store of wealth B. A means of exchange C. A viable symbol of wealth D. A luxury
4. Aristotle's definition of value is characterized by: A. Use value only B. Exchange value only C. Both use value and exchange value D. Neither
5. Aristotle's position on interest was: A. Totally supportive B. Rejected in all cases C. Support for business only D. Support for personal loans only
6. Plato and Aristotle considered their economic theorizing to be linked to: A. Law only B. Ethics and social order C. Pure profit D. Foreign trade
7. One of the standard criticisms of Plato's ideal city is: A. Too much trade B. Fixed social classes C. Lack of religion D. Too much taxation
8. Aristotle gave economic thought to the idea of: A. Free market only B. Moral and practical principles C. Ignoring social justice D. Collecting wealth without limits
9. Plato's ideal society emphasized: A. Random allocation of labor B. Fair distribution of wealth and order C. Unlimited private accumulation D. No government interference

10. Aristotle influenced the later western tradition by: A. Economics with no ethic B. By property, fairness, and social justice C. Monopoly and interest D. Purely theoretical economy.

2.3. Question 3:

Answer the following questions:

1. Complete the following table showing the main economic ideas of Plato and Aristotle

Economic Field	Plato	Aristotle
General view of the economy		
Private property		
Division of labor		
Role of the state		
Money		
Trade		
Economic justice		
Relationship between economics and ethics		
Position on interest (usury)		
Ultimate goal of economic activity		

2. Complete the table of Plato's contributions to economic thought

Economic Idea	Its Meaning in Plato's Thought
The Ideal City	
Division of labor	
Common ownership	
Money	
Relationship between economics and politics	
Justice	
Role of philosophy in governance	

3. Complete the table of criticisms directed at Plato

Area of Criticism	Description
Private property	
Concept of justice	
Social classes	
Idealistic nature	
Practical experience	
View of economic activity	

4. Complete the table of Aristotle's contributions to economic thought

Concept	Explanation According to Aristotle
Use value	
Exchange value	
Fair price	
Money	
Functions of money	
Monopoly	
Interest (usury)	
Justice in exchange	

5. Classify the ideas of Plato and Aristotle in a comparative table

Criterion	Plato	Aristotle
General nature of thought		
Degree of realism		
Position on the market		
Ethics and economics		
Influence on Western thought		

3. Answers:

3.1. Answers to Direct Questions:

1. To create a perfectly organized city with equality, defined roles, and limited private property.
2. Based on natural skills to optimize efficiency and social order.
3. As a tool to facilitate exchange, not an end in itself.
4. Restriction of private property, fixed social classes, idealism, superficial view of work.
5. Use value: benefit to the individual; exchange value: compensation in trade.
6. Money is a medium of exchange, a measure of value, and a store of wealth.
7. Money should not generate profit; fairness requires exchange without extra charges.
8. Economics should serve society, promote fairness, and maintain social stability.
9. Plato focused on utopia and order; Aristotle focused on moral and practical principles.
10. Their ideas shaped Western economic thought linking ethics, politics, and economics.

3.2. Answers to Multiple-Choice Questions:

1. B. Rulers and soldiers
2. B. Natural skills
3. B. A tool for exchange
4. C. Both use and exchange value
5. B. Rejected in all cases
6. B. Ethics and social order
7. B. Fixed social classes
8. B. Moral and practical principles
9. B. Fair distribution of wealth and order
10. B. Emphasizing property, fairness, and social justice

3.3. Answers to Question 3:

- 1.

Economic Field	Plato	Aristotle
General view of the economy	Part of organizing the ideal society	Moral and practical activity serving stability
Private property	Restricted for rulers	Legitimate and necessary
Division of labor	Based on natural abilities	Accepted and necessary
Role of the state	Comprehensive regulation of economic life	Ensuring justice and stability
Money	Symbolic means of exchange	Medium of exchange with intrinsic value
Trade	Secondary and morally controlled	Acceptable if fair
Economic justice	Everyone performing their proper role	Fair exchange
Relationship between economics and ethics	Strong integration	Essential relationship
Position on interest (usury)	Implicitly rejected	Completely rejected
Ultimate goal of economic activity	Justice and social order	The common good

2.

Economic Idea	Its Meaning in Plato's Thought
The Ideal City	A precisely organized society aiming at justice
Division of labor	Based on natural aptitudes
Common ownership	For rulers and soldiers
Money	A means, not an end
Relationship between economics and politics	Economy serves the state
Justice	Each individual performs their assigned function
Role of philosophy in governance	Philosophers are the most suitable rulers

3.

Area of Criticism	Description
Private property	Leads to class discrimination
Concept of justice	Restricts individual freedom
Social classes	Limits social mobility
Idealistic nature	Difficult to apply in reality
Practical experience	Detached from real social life
View of economic activity	Neglects market forces

4.

Concept	Explanation According to Aristotle
Use value	The usefulness of a good
Exchange value	What a good can be traded for
Fair price	A price reflecting justice
Money	A medium facilitating exchange
Functions of money	Medium of exchange, measure of value, store of wealth
Monopoly	Rejected
Interest (usury)	Unethical

Justice in exchange	Equality between what is given and received
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5.

Criterion	Plato	Aristotle
General nature of thought	Idealistic	Realistic–ethical
Degree of realism	Low	High
Position on the market	Highly regulated	Morally regulated
Ethics and economics	Complete integration	Strong linkage
Influence on Western thought	Philosophical–political	Economic–ethical

Conclusion

This lesson showed that economic theory in Ancient Greece cannot be separated from ethics, politics, and social issues. Plato gave a theoretical basis for a just and well-ordered society that drew on specialization, limited property, and justice; Aristotle was more practicable and grounded his economic theory on morality, economic justice, and money's role in the economy. Students learn about the foundations of Western economic thought through their interpretations and critiques, the centrality of labor and property to social stability, and how ethics and fairness remain relevant to economic decision-making today. The lesson promotes critical consideration of how philosophical principles can play a role in the economic and organization of society, and students process their learning by answering direct and multiple-choice questions under their supervision of the professor.

The fourth Directed work session: Economic Thought among the Romans

Introduction

A group of students will present a paper titled *The Economic System in Ancient Rome and Its Role in Social Life*. The conversation starts with an introduction to Roman economic thought, which emphasized practical matters of laws, organization, and administration rather than theoretical principles and morality, as with the Greeks. Students study how agriculture, slavery, private property, and the legal system organized economic and social life, and how these ideas influenced the European economic system later. Under the supervision of the professor, students answer direct and multiple-choice questions about how these principles affected Roman society, their advantages and disadvantages, and their significance in the emergence of capitalism.

1. Summary of the Lecture: Economic Thought among the Romans

1.1. Introduction to Roman Economic Thought Roman economic thought was based **more on** practical experience than philosophical theory, unlike the Greeks who started with rational theorization. The Romans worked with the economic reality of the Empire and sought to structure that as a clear bureaucracy and system of legalism with a management and control aspect of laws to hold the state and society together. Their economy was mainly agrarian, and land was the main source of wealth. Private property was respected, and slavery was a part of economic activity, which helped make Roman economic thought more pragmatic and regulatory than philosophical.

1.2. Roman Contributions to Economic

Thought These contributions can be summarized as follows:

- The Romans concentrated on agriculture as their primary economic activity and trade and manufacturing as secondary pursuits.
- Slavery was widely practiced as an institution, especially in agriculture, and was widely used as an economic mechanism to increase output.

1.2.2. Private Property

Integrating private property into the legal system was one of their most important achievements. The law ensured the rights of ownership for the wealthy classes, setting the stage for the capitalist system to follow.

1.2.2. The Natural Order

The Romans advocated for the "natural order," which was based on the right to own property, the right to work/a vocation, and the right to optimize self-interest (with law

ensuring stability for the dominant classes).. This principle became the basis for later schools of economic thought, such as the Physiocrats.

1.3. Key Insights and Observations

Key Insights and Observations of are Summarized follows :

- The Romans were in many ways more practical and realistic than the Greeks, beginning with daily life and the economic reality and refining it with explicit laws and rules.
- Though the Romans met economic challenges, their economic thought was more focused on societal justification of an existing reality and protection of status elite interests rather than being a complete economic theory.
- Agriculture was the primary source of wealth and, moreover, a form of slavery was considered a convenient economic tool.
- The laws surrounding private property and ownership provided the ground for the principle of absolute ownership, which continues to influence the capitalist system. • The natural order principle linked personal economic liberties to social order as a rationale to promote the interests of the wealthy ruling class.

1.4. Critiques of Roman Economic Thought.

The critiques can be summed up as:

- Roman thought was practically and empirically based rather than being philosophically profound like Greek thought.
- Laws crafted to manage property and economic relations were created more to promote elite power than to promote justice.
- Dependence on slavery signified little understanding of the social and humane aspects of labor and production.
- The natural order idea placed excessive emphasis on self-interest and lacked sufficient social or moral constraints reflected a tendency toward pure capitalism.

1.5. Comparison with Greek Economic

The comparison can be summed up as follows:

- Greek Thought was philosophical and theoretical; Roman thought was practical and legal.
- Greeks emphasized justice and morality; Romans emphasized management, organization, and law.
- Romans used laws and private property to ensure social stability and protect elite interests, whereas Greeks were attempting to issue general economic principles that included social justice.

2. Questions: Direct and Multiple-Choice

2.1. Direct Questions:

1. What are the main characteristics of Roman economic thought?
2. How did the focus on agriculture and slavery affect economic and social life?
3. What role did private property play in Roman thought?
4. What is the meaning of the natural order in Roman economic thought?
5. How did Roman economic thought differ from Greek approaches?
6. What are some main objections to Roman economic thought?
7. In what way did Roman law aid to social stability?
8. In what way did Roman economic thought aid in the development of capitalism?
9. In what way was law used to protect the economic advantage of elite?
10. What lessons can we learn from the Roman experience in relation to organizational management?

2.2. Multiple choice questions:

Choose the right answer

1. The primary economic activity in Rome was: A. Trade B. Agriculture C. Industry D. Crafts
2. Romans viewed slavery as: A. Immoral B. Absolutely necessary and economically effective C. Only as temporary D. Unlawful
3. In Rome, private property: A. was meaningless B. was legally protected and owed to a person's welfare C. was only for people who were less poor D. was subject to moral constraints
4. The Natural Order was based on: A. social justice B. the embrace of ownership, labor, and self-interest C. a total equality D. common wealth
5. Roman economic thinking emphasized: A. social equity, B. protecting elite interests & stability of the state, C. theories, D. financial innovation.
6. The Romans were: A. more philosophical than the Greeks, B. more practical and legal than the Greeks, C. less inclined toward law than the Greeks, D. more theoretical than the Greeks.
7. Some criticisms of Roman thought include: A. profound philosophical depth B. elite interests and slavery C. social equality D. favor of free trade
8. Contributions that Romans made to modern economic thought include: A. the beginnings of monetary theory B. developing the foundational elements of property laws and capitalism C. the idea of social justice D. human abolition of slavery

2.3. Question 3:

Answer the following questions:

1. Complete the table showing the main characteristics of Roman economic thought

Aspect	Description
General nature of Roman economic thought	
Relationship between economics and law	
View of agriculture	
Role of slavery	
Importance of private property	
Attitude toward trade	
Social justice	
Purpose of economic regulation	

2. Complete the table of Roman contributions to economic thought

Contribution	Explanation
Agriculture	
Slavery	
Private property	
Legal system	
Natural order	

3. Complete the table comparing Greek and Roman economic thought

Criterion	Greek Thought	Roman Thought
Nature of thinking		
Degree of theorization		
Role of ethics		
Importance of law		
View of economic activity		

4. Complete the table explaining the effects of Roman law on economic life

Legal Aspect	Economic Impact
Property rights	
Contracts	
Class structure	
Social stability	

5. Complete the table of criticisms directed at Roman economic thought

Area of Criticism	Explanation
Lack of theory	
Class bias	
Slavery	
Concept of natural order	
Absence of social justice	

3. Answers

3.1. Answers to Direct Questions:

1. Practical, legal, based on agriculture, property, and slavery.
2. Made the economy rely on agricultural production and maximize labor productivity through slavery.
3. Private property protected elite interests.
4. Individual property ownership, work, and self-interest re mutually exclusive with minimal guarantee of social stability.
5. The Greeks were focused on moral ideals and the nature of justice while the Romans were focused on regulation and operational codes.
6. Lack of theoretical reference, legal protection of elite interest, a slave economy, and a lack of moral constraints.
7. Property regulation, enforcement of laws, and maintenance of social stability.
8. The laws helped establish absolute property rights and the basis for capitalism.
9. Law served to protect elite interests rather than ensure justice.
10. Organization, legal management, and property protection are key for economic stability.

3.2. Answers to Multiple-Choice Questions:

1. B. Agriculture
2. B. Necessary and economically effective
3. B. Protected by laws and essential
4. B. Freedom of ownership, labor, and individual self-interest
5. B. Protecting elite interests and state stability
6. B. More practical and legal
7. B. Engagement with elite interests and slavery
8. B. Setting the foundations of property relations and capitalism

3.3. Answers to Question 3:

1.

Aspect	Description
General nature of Roman economic thought	Practical and regulatory rather than theoretical
Relationship between economics and law	Economics was organized and controlled through legal rules
View of agriculture	Considered the main and most productive economic activity
Role of slavery	A fundamental element of production, especially in agriculture
Importance of private property	Strongly protected and legally guaranteed
Attitude toward trade	Considered secondary and less productive
Social justice	Not a central concern
Purpose of economic regulation	Maintaining order and protecting elite interests

2.

Contribution	Explanation
Agriculture	Regarded as the foundation of economic life
Slavery	Used extensively as a productive labor force
Private property	Legally protected with absolute ownership rights
Legal system	Organized economic relations and protected wealth
Natural order	Emphasized freedom of ownership and pursuit of self-interest

3.

Criterion	Greek Thought	Roman Thought
Nature of thinking	Philosophical and ethical	Practical and legal
Degree of theorization	High	Limited
Role of ethics	Central	Marginal
Importance of law	Secondary	Fundamental
View of economic activity	Moral and social	Administrative and utilitarian

4.

Legal Aspect	Economic Impact
Property rights	Strengthened individual ownership
Contracts	Facilitated trade and economic transactions

Class structure	Protected the interests of wealthy elites
Social stability	Prevented conflict among dominant classes

5.

Area of Criticism	Explanation
Lack of theory	Focused on reality rather than developing economic models
Class bias	Laws favored landowners and merchants
Slavery	Treated labor as a tool, ignoring human dignity
Concept of natural order	Promoted individual interest over social welfare
Absence of social justice	Economic regulation served power, not equity

Conclusion

This work has shown that Roman ideas about the economy were embedded in practice and formal legality, favouring the governing of the state and law, rather than theory or philosophy. . While Roman economy and social structure was based on agriculture, slavery, private ownership of property, and Roman law, these practices were designed to favor elites and support social hierarchy rather than promote justice. Despite these issues, Romans produced an important legal and intellectual legacy that impacted the emergence of capitalism and Western economic culture. Overall, the Roman experience emphasizes that successful economies require the effective use of resources and strong legal protections, even if justice is important for system stability in the long term.

The fifth Directed work session: Economic Thought in the Middle Ages

Introduction

In this teaching and learning activity, a group of students is presenting a paper tentatively entitled: "The Impact of the Church on Economic Thought in the Middle Ages." After the presentation is complete, the students will engage in a discussion of the study with colleagues, supervised by the professor, and then respond to questions related to the lecture and facilitate discussions with colleagues to deepen understanding of the topic.

The Middle Ages was an era of dramatic change in the history of Europe, spanning roughly from the 5th century to the 15th century. During this time, Europe underwent important social, political and economic transformations. The Church emerged as a force in shaping economic thought, because it framed economic activity in a moral, ethical framework. This lecture offers some overview of the evolution of economic thought in Europe in the Middle Ages, as well as the impact of Greek and Roman thought, the impact of Christianity, contributions of the Scholastic school and Thomas Aquinas, and some comparisons to the Islamic world's economic prosperity in an attempt to provide a balanced perspective.

1. Lecture Summary

1.1. The Middle Ages

The Middle Ages are usually defined as the period between the fall of the Roman Empire and the fall of Constantinople. Europeans often described this period as stagnant or the "Dark Ages," focusing on internal conflicts, wars, and intellectual challenges. However, this view is limited to a narrow European perspective.

From an Islamic perspective, the same period was an era of great civilizational flourishing, with remarkable advancements in science, philosophy, and culture. Scholars and philosophers such as Avicenna (Ibn Sina), Al-Farabi, Averroes (Ibn Rushd), and Ibn Khaldun emerged during this time.

1.2. Sources of European Economic Thought

European economic ideas during the medieval period drew inspiration from three key sources:

-Greek Philosophy: Aristotle's views on topics such as property, usury, and the just price had a considerable impact on the Church and intellectuals steering economic and ethical actions.

-Roman Law: Roman Law helped to create configurations of property, land, and social arrangements. The feudal system developed from the Roman system.

-Christianity: Christianity gave moral impetus to judge behavior as just or unjust; justice, fairness, and ethical conduct became precepts by which societies ordered economic action, joining economic motives back to previous religious considerations.

1.3. Key Features of Economic Thought in the Middle Ages

Economic thought during the medieval time period can be summarized as follows:

- Economic action was versus moral and just action.
- Private land ownership was established under the broader concern for the public good.
- Trade was important but morally constrained.
- The just price reflected production price plus fairness.
- Interest was banned, then allowed under very restricted conditions.
- Money was understood as a mode of exchange rather than a means of profit.

1.4. The Scholastic School and Thomas Aquinas

The Scholasticism was founded by Thomas Aquinas. He merged a moral Christian frame to the economic analysis of exchange, with a focus on applying justice and fairness in commercial exchanges.

Thomas Aquinas (1225-1274) presented many contributions as follows:

- Recommended that price should be fair relative to individual and social welfare.
- Cautioned against excessive forms of wealth and usury.
- Conceptualized private property as a means to serve society.
- Discussed topics such as labor and wage issues, production and financing, supply, international trade, money, currency, interest, and just price.

1.5. Evaluation of Economic Thought in Europe during the Middle Ages

Overall, economic thinking lagged dramatically behind Greek and Roman thinking. Some significant limitations include:

- The role of serfs: essential to agricultural production.
- The feudal system of land-owning: limited freedoms of economic choice.
- Immoral condemnation of commerce: profit from negatives was often condemned as immoral.
- Guild the organization: fixed social hierarchies slowed industrial advancement.

Even with these limits, thought moved ahead with urban settlement and expanded trade and new social classes that would eventually lead to ideas in modern economics.

2. Questions

2.1. Question 1

Answer the following questions

1. What period is usually defined as the Middle Ages in Europe?
2. Name two Greek philosophers who influenced European economic thought in the Middle Ages.
3. Which Roman contribution influenced economic transactions in the Middle Ages?
4. Who was the central figure of the Scholastic school in Europe?
5. According to Thomas Aquinas, what should determine the just price?
6. How did Christianity influence economic thought in the Middle Ages?
7. What was the role of trade in the economic system of the Middle Ages?
8. How did Europeans view the Middle Ages compared to the Islamic world?
9. How does the Islamic Golden Age differ from European developments during the same period?
10. What economic concepts were focused on by European thinkers in the Middle Ages?

2.2. Question 2

Place True or False next to each statement:

1. The Middle Ages are universally considered a dark and stagnant period.
2. Aristotle's ideas on property, usury, and the just price were influential in Europe in the Middle Ages.
3. Roman law had no influence on European economic practices.
4. The Church focused on morality and justice over profit in economic transactions.
5. Thomas Aquinas completely rejected private property.
6. Interest was initially prohibited according to Church teachings in Europe.
7. Money was primarily seen as a tool for profit.
8. Scholastic thinkers integrated Greek philosophy into Christian ethical guidance.
9. Trade was considered completely free and ethical in the Middle Ages.
10. European economic thought in the Middle Ages contributed to establishing modern economic theory.

2.3. Question 3

Choose the correct answer:

1. What served as foundations for European economic philosophy during the middle ages?
A: Only Greek theorists
B: Greek, Roman and Christian theorists
C: Only Roman Law

D: Only Islamic scholars

2. What was the focus of economic thought during the middle ages?

A: An individual best chance of maximizing profit

B: The moral and ethical implications of economic activities

C: Competition between markets

D: The scientific study of production

3. How did Thomas Aquinas view trade?

A: Completely unethical

B: Necessary, but with conditions of moral justification

C: Just a means to profit

D: Governed by the law

4. In fiscal hamster terminology, what is just price?

A: The most an individual can profit

B: A price that took into account only the cost of production and morals/ethical considerations

C: A price based completely at the merchant's discretion

D: A price determined by the King

5. Which institution had the largest impact in the development of European economic thought?

A: The Roman Senate

B: The church

C: Trade guilds

D: Universities

6. How was interest classified in medieval society? A) Always susceptible to approval B) Disallowed initially, but subsequently allowed with justification C) Enabled to facilitate greater trade D) Denoted as irrelevant by moral thinkers

7. What was private property in medieval economic thinking? A) Individual expressions of wealth B) A good of social ethics C) Only nobles had private property D) There was no private property recognition

8. What was the effect of Greek thought on European economics? A) No effect B) Aristotle's thought regarding property, usury and just price C) Plato's utopian thinking had a dominant influence D) Only trade

9. How did Europeans consider the Middle Ages? A) A great time of scientific flourishing B) Dark and stagnant in terms of the cultural outlook of the Islamic civilization C) Similar

in time frame as the Islamic Golden Age D) Primarily concerned only with trade

10. Which statement is true regarding money in the Middle Ages? A) Money was a thing of speculation B) Money was preserving real bool or store of value, as well as a medium of exchange C) Only kings could use money D) Money was ignored in compact economic thinking

2.4. Question 4:

Answer the following questions:

1. Complete the table describing the Middle Ages

Aspect	Description
Definition of the Middle Ages	
European perspective	
Islamic perspective	
Social structure	
Economic conditions	
Contribution of the Islamic world	

2. Complete the table on sources of economic thought in Medieval Europe

Source	Influence on Economic Thought
Greek Thought	
Roman Thought	
Christianity	

3. Complete the table on features of Western economic thought in the Middle

Feature	Explanation
Definition of economics	
View of private property and wealth	
Commercial activity	
Theory of value and the just price	
Interest and usury	
Money	

4. Complete the table on Thomas Aquinas and the Scholastic School

Aspect	Description
Historical roots	
Role of Islamic philosophy	
Thomas Aquinas' contributions	

Views on prices and profit	
Role of moral and social justice	

5. Complete the table evaluating Medieval European economic thought

Area	Explanation
Depth and systematization	
Role of serfs and labor	
Land and feudalism	
Attitude toward trade	
Guilds and industrial delay	
Overall contribution	

3. Answers

3.1. Answer 1

1. From the 5th to the 15th century.
2. Plato and Aristotle.
3. Roman law and institutional organization.
4. Thomas Aquinas.
5. Production costs, necessity, and ethical fairness.
6. Christianity provided a moral framework emphasizing justice, integrity, and ethical behavior.
7. Trade was necessary but morally regulated to ensure justice and public good.
8. Europeans considered it dark and stagnant, while Islamic civilization flourished intellectually.
9. Islamic civilization experienced a golden age of science, knowledge, and culture.
10. Property, just price, usury, justice, moral responsibility, social justice.

3.2. Answer 2

1. False
2. True
3. False
4. True
5. False
6. True
7. False
8. True

9. False

10. True

3.3. Answer 3

1. B

2. B

3. B

4. B

5. B

6. B

7. B

8. B

9. B

10. B

3.4. Answers to Question 4:

1.

Aspect	Description
Definition of the Middle Ages	Historical period from 5th to 15th century AD
European perspective	Viewed as dark, stagnant, and barbaric, focused on internal crises
Islamic perspective	A golden age of intellectual, scientific, and cultural development
Social structure	Divided into classes; decline of slavery; feudal system prevalent
Economic conditions	Agriculture-based, land rent emerging, limited trade and industry
Contribution of the Islamic world	Preserved and advanced knowledge; scholars influenced Europe

2.

Source	Influence on Economic Thought
Greek Thought	Ideas of Plato and Aristotle shaped concepts of property, justice, usury, and just price
Roman Thought	Legal structures, land ownership, and social classes influenced European economy

Christianity	Introduced moral and ethical considerations into economic behavior and trade
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3.

Feature	Explanation
Definition of economics	Linked to Christian moral rules rather than modern science
View of private property and wealth	Property has a social purpose; wealth should serve the community
Commercial activity	Necessary but morally regulated; fair trade emphasized
Theory of value and the just price	Value based on production cost and moral fairness; price reflects necessity and desire
Interest and usury	Fundamentally forbidden; later accepted with moral justifications (risk, lost opportunity)
Money	Medium of exchange, should not be manipulated or used for speculation; preserve real value

4.

Aspect	Description
Historical roots	Scholastic school revived Greek philosophy within Christian ethical framework
Role of Islamic philosophy	Translations and teaching methods from Al-Andalus inspired European scholars
Thomas Aquinas' contributions	Developed moral-economic reasoning, fair pricing, property rights, just exchange
Views on prices and profit	Prices must balance individual gain and social good; profits limited by natural and moral limits
Role of moral and social justice	Economic transactions evaluated according to ethical standards; prevent exploitation

5.

Area	Explanation
Depth and systematization	Limited compared to Greek and Roman thought; lacked a comprehensive economic system
Role of serfs and labor	Serfs were essential for agriculture and production; inspired by Aristotle
Land and feudalism	Land ownership restricted to wealthy; hindered free economic

	activity
Attitude toward trade	Trade often morally constrained; profit viewed cautiously
Guilds and industrial delay	Fixed class conditions; delayed innovation and economic growth
Overall contribution	Medieval thought integrated moral, religious, and classical ideas; laid foundations for modern economics

Conclusion

The medieval period in Europe was heavily influenced by both religious and moral considerations, and this period is often referred to as the "Scholastic Age". The economic ideas that were developed during this period were developed in a context in which the Church was first and foremost concerned with the welfare of its followers. Schools of thought such as those established by the Scholastic philosophers and their contemporaries (including Thomas Aquinas) focused on the need for a just price, the regulation of property and trade for the benefit of society, as well as the role of the Church in providing this moral guidance. The ideas developed during this period were foundational to the development of modern economics.

This period can be compared to the economic development of the Islamic Golden Age and to the scientific and intellectual developments that occurred in the Islamic world during this time. The intellectual developments that occurred in both European and Islamic cultures during the medieval period provide an opportunity to understand how the evolution of European economic thought has contributed to the development of modern-day economic systems.

The Sixth Directed work session: Islamic Economic Thought

Introduction

In this Directed work session, a group of students will present a research paper titled: "The Economic Principles in Islam and Their Role in Achieving Social Justice", which will then be discussed with their colleagues under the supervision of the instructor. The purpose is to expand the theoretical understanding of Islamic economic concepts and their application in modern reality, focusing on the principles upon which social justice in Islamic economic thought is based. During this session, a set of directed questions will also be presented, answered, and discussed within the framework of the d work, in order to strengthen understanding and critical analysis of the ideas covered in Lecture Six: Islamic Economic Thought.

1. Summary of Lecture Six: Islamic Economic Thought

Islamic economic thought is a well-established intellectual and civilizational tradition that created a unique model for the organization of economic activity on the bases of justice, equity, and ethical responsibility. It evolved within the structure of Islamic Sharia, which is an arrangement of ethical values that incorporates practical economic principles, balancing personal rights with the welfare of society. The underlying basic elements and contributions of thinking can be summarized as follow:

1.1. General Principles of the Islamic Economy

The main concepts of the Islamic economics system include the following:

- Prohibition of usury: Usury is unjust and exploitative. Thus, there is an unequivocal prohibition against such "oppression" as well as a prohibition to ensure fairness in commercial transactions.
- Private Property Within the Common Good: People can own property and have wealth, but must consider the common good and their responsibilities to society.
- Redistribution mechanisms: Zakat as a means of redistribution within the community, along with voluntary charity, sadaqah, are both institutionalized ways to alleviate wealth disparity and engender social solidarity.
- Ethics and Fairness in the market: Market abuses such monopoly and fraud are prohibited so that the consumers are protected and the integrity of the market is preserved.
- Social justice as a goal in itself: All economic activity should be geared towards establishing social justice in terms of equity, equal distribution and ethical behaviour in business and trade.

1.2. The Experience of Caliph Umar ibn Abd al-Aziz

Caliph Umar ibn Abd al-Aziz is often considered a real-life testimony of The merits of Islamic economics principle:

- Corruption fighting: He implemented serious measures against moral and administrative corruption to promote politic justice.
- Wealth redistribution: He put in place a system of zatawa and taxation managing incomes process to address asset inequality of wealth to the vulnerable and poor.
- Justice on remuneration and exchanges: He ensured the appropriateness of payment to labourers and others align with trade, which is a ethical dimension of the economy.
- Provisioning sufficiency for all: Goals of his regime include ensuring sufficient supply of resources for the community, instead of concentrating resources to few people at the expense of the wider community.

1.3. Contributions of Imam Al-Ghazali

Imam Al-Ghazali contributed to the ethical and moral foundations of Islamic economic thought:

- Combination of ethics and economy: He emphasized that economic activity cannot be separated from religion and attendance to ethical responsibility.
- Evidence of worship through lawful earning: He argued that earning in a righteous (halal) way is of worship and encouraged ethics in the economy in all manners of transactions.
- Justice and moderation: He encouraged fairness in trade while preserving some from taking advantage of their options; his social message was to promote moderation and welfare of society as a whole.

1.4. Contributions of Al-Maqrizi

Al-Maqrizi focused on financial and monetary matters of a more practical nature:

- Inflation analysis: He referred directly to issuance of currency as contributing to price instability that was already too strong, and suggested tying the values of money to an asset of gold or silver.
- Control of currency issuance: He supported currency issuance control mechanisms. in maintaining the currency's stability and avoiding economic disruptions.
- Transparency and honesty: Integrity is vital and accountability in political processes is important.

1.5. Contributions of Ibn Khaldun

Ibn Khaldun is credited with establishing socio-economic analysis:

- Wealth originating from labor: he emphasized the fundamental preeminence of labor in the creating economic value.

- Taxes and output: he examined the impact of taxation on output and production, observing that taxes greater than expected reduce economic activity.
- Cycles of economies: he refers to the cycles involved in both the economy and the political institutions that connect the growth and decline of states from economic management to society.
- Society and state related: the analysis incorporated economic, social, and political aspects to connect his analysis of the fluidity of social and economic progress and governance.

2. Questions

2.1. Question 1

Answer the following questions:

1. What is meant by Islamic economic thought?
2. What are the basic principles on which the Islamic economic system is based?
3. What are the main contributions of Imam Al-Ghazali to Islamic economic thought?
4. How did Al-Maqrizi deal with the problem of inflation and money in his era?
5. What are the contributions of Ibn Khaldun in economic and social analysis?
6. What role did Caliph Umar ibn Abd al-Aziz play in organizing economic resources and achieving justice?
7. What is the function of zakat in achieving social justice?
8. How does Islamic economic thought balance individual and societal interests?
9. How does the prohibition of riba influence market fairness?
10. What is the significance of ethical behavior in the Islamic economic system?

2.2. Question 2

Place True or False next to each statement:

1. Islamic economic thought allows dealing with riba (usury) in cases of necessity.
2. Imam Al-Ghazali linked ethics, religion, and economic activity.
3. Ibn Khaldun was the first to discuss the theory of value and labor.
4. Al-Maqrizi considered that excessive money issuance leads to inflation.
5. Caliph Umar ibn Abd al-Aziz rejected zakat.
6. Islamic economic thought balances private ownership and public interest.
7. Ibn Khaldun did not address the relationship between taxes and production.
8. Islamic economic thought seeks to achieve social justice.
9. Imam Al-Ghazali regarded lawful earning as an act of worship.

10. The Islamic economic system rejects supervision over markets.

2.3. Question 3

Choose the correct answer:

1. What serves as the basis of Islamic economic principles? A) Monetary profit B) Divine direction and moral responsibility C) Complete freedom of the market D) Total government involvement

2. What is the main aim of an Islamic economy? A) Accumulating wealth B) Justice and fair distribution C) Maximising profit D) Boosting consumption

3. What is Riba in Islamic economy? A) Business profit B) Prohibited interest C) Zakat D) Charitable acts.

4. As Al-Maqrizi explained, what disrupts a stable economy? A) Weak output B) Financial mismanagement and over-issuance C) More imported goods D) Low population size

5. Ibn Khaldun is known for: A) The theory of the just price B) His analysis of the relationship between taxation and expanding activity in the economy C) High taxation to raise revenue D) Denies the role of labor in value

6. Imam Al-Ghazali is well known for: A) Moral and religious commitment in earning B) Income by any means C) Government rules on prices D) Absolute freedom of the market

7. Caliph Umar ibn Abd al-Aziz: A) Increased taxes B) Fought against corruption and gave wealth to the poor C) Eliminated zakat D) Supported wealthy merchants.

8. Zakat's function in the Islamic economy can be:

A) a method of savings B) the redistribution of wealth and the reduction of inequality C) a taxing commercial D) a personal investment

9. The ultimate goal of economic policy in Islam is: A) to achieve moral balance and social welfare B) to maximize individual profit C) to encourage wealth instead of consumption D) to create a government control

10. What does Islamic economic thought provide that distinguishes it from Western thought? A) A focus on values and ethics B) A rejection of private property C) Reliance on riba D) Neglect of the ethical dimension

2.4. Question 4:

Answer the following questions:

1. Complete the table on key figures in Islamic economic thought

Aspect	Description
Caliph Umar ibn Abd al-Aziz	
Imam Al-Ghazali	
Ibn Khaldun	
Al-Maqrizi	

2. Complete the table on contributions of Caliph Umar ibn Abd al-Aziz

Aspect	Description
Reforms in Bayt al-Mal	
Policy toward luxury and privileges	
Governance and corruption	

3. Complete the table on Imam Al-Ghazali's economic ideas

Aspect	Description
Individual activity	
Trade and wealth	
Ethics in transactions	
Money	
Public activity and taxation	

4. Complete the table on Ibn Khaldun's contributions to Islamic economic thought

Aspect	Description
Integration of society, religion, and economics	
Division of labor and industry	
Role of the state in the economy	
Money and civilization ('Umrān theory)	
Economic laws (value, incentive, income cycle)	
Economic freedom	

5. Complete the table on Al-Maqrizi's contributions and general principles of Islamic economic thought

Aspect	Description
Analysis of high prices, poverty, and famines	
Monopoly and state policy	
Economic crisis of 796–808 AH	
Impact on social classes	

Views on money and currency	
Effect of high prices on income distribution	

6. Complete the table on Al-Maqrizi's contributions and the general principles of Islamic economic thought.

Aspect	Description
Integration of ethics, religion, and economics	
Role of government	
Balance between material and spiritual needs	
Importance of trade, money, and justice	

3. Answers

3.1. Answer 1

1. Islamic economic thought is an intellectual system based on the Qur'an and Sunnah to organize economic activity according to the principles of justice and equality.
2. It is based on the prohibition of *riba*, encouragement of *zakat*, achievement of social justice, prevention of monopoly, and moral regulation of markets.
3. Al-Ghazali focused on the ethical dimension of economic activity and linked economics to religion and worship.
4. Al-Maqrizi addressed the problem of inflation by calling for control over money issuance and linking its value to gold and silver.
5. Ibn Khaldun explained the relationship between taxes and production, considered labor the source of wealth, and discussed economic cycles.
6. Caliph Umar ibn Abd al-Aziz fought corruption, redistributed wealth fairly, and implemented *zakat* to achieve general sufficiency.
7. *Zakat* functions to redistribute wealth and reduce social inequalities.
8. Islamic economic thought balances private rights with public interest to ensure fairness.
9. Prohibition of *riba* ensures fairness in trade and prevents exploitation.
10. Ethical behavior is central to the Islamic economic system, guiding transactions, wealth management, and social responsibility.

3.2. Answer 2

1. False
2. True

3. True
4. True
5. False
6. True
7. False
8. True
9. True
10. False

3.3. Answer 3

1. B
2. B
3. B
4. B
5. B
6. A
7. B
8. B
9. A
10. A

3.4. Answers to Question 4:

1.

Aspect	Description
Caliph Umar ibn Abd al-Aziz	Revived policies of Rightly Guided Caliphs; fought corruption; restored justice and integrity of public treasury
Imam Al-Ghazali	Linked ethics, religion, and economics; emphasized balance between worldly life and afterlife; stressed honesty in transactions
Ibn Khaldun	Integrated society, religion, and economy; introduced ideas on labor division, industry, supply and demand, and economic cycles
Al-Maqrizi	Market regulation expert; analyzed causes of inflation, poverty, and economic crises; addressed money quality and income distribution

2.

Aspect	Description
Reforms in Bayt al-Mal	Restored wealth to public use, removed unjust privileges, stopped misuse by ruling class
Policy toward luxury and privileges	Reduced extravagance, canceled gifts to poets/notables, limited state spending
Governance and corruption	Dismissed corrupt governors; promoted justice, fairness, and social welfare

3.

Aspect	Description
Individual activity	Categorized people based on focus on worldly life vs. hereafter; promoted moderation
Trade and wealth	Permitted trade for necessities and charitable purposes; discouraged pure accumulation
Ethics in transactions	Emphasized honesty, sincerity, and fair profits
Money	Means to facilitate trade and measure value; hoarding discouraged
Public activity and taxation	Economic decisions should serve society; taxation beyond zakat limited and justified

4.

Aspect	Description
Integration of society, religion, and economics	Economic activity is inseparable from cultural and religious context
Division of labor and industry	Division of labor strengthens society; industry prioritized for societal progress
Role of the state in the economy	State intervention often harmful; supported organized economic freedom
Money and civilization ('Umrān theory)	Money is essential for social/economic development; links prosperity with productive capacity
Economic laws (value, incentive, income cycle)	Value linked to labor and creativity; incentives affected by corruption; taxation affects production
Economic freedom	Freedom within Sharia; ensures justice and economic participation

5.

Aspect	Description
Analysis of high prices, poverty, and famines	Caused by corruption, rising rents, low-quality currency; not solely environmental factors
Monopoly and state policy	Monopoly causes high prices; state should encourage competition and fairness
Economic crisis of 796–808 AH	Factors: bribery, high rents, debased currency; led to inflation
Impact on social classes	Different groups affected variably; poor most vulnerable, officials' real wealth affected by inflation
Views on money and currency	Advocated for pure gold/silver; highlighted effects of debased money on economy
Effect of high prices on income distribution	Unstable money worsens inequality; stable currency ensures fair wealth distribution

6.

Aspect	Description
Integration of ethics, religion, and economics	Economic life guided by moral and religious principles; fairness prioritized
Role of government	Ensure justice, prevent corruption, regulate markets where necessary
Balance between material and spiritual needs	Individuals encouraged to moderate worldly and spiritual pursuits
Importance of trade, money, and justice	Trade and money are tools for societal well-being; justice ensures long-term stability and prosperity

Conclusion

This session highlights the importance of Islamic economic thought as a moral and practical system that combines faith, justice, and development. Through the study of the ideas of Al-Ghazali, Al-Maqrizi, and Ibn Khaldun, as well as the experience of Caliph Umar ibn Abd al-Aziz, it becomes evident that Islamic economics offered practical solutions to economic and social problems that still exist today. These work activities also enable students to gain a deep understanding of the applied aspects of this thought and to compare it with other economic models.

The seventh Directed work session: Commercial Thought (Mercantilism)

Introduction

In this Directed work session, students will present a research titled: "The Relationship between Mercantilism and the Rise of the Nation-State and International Trade" and discuss it with colleagues under the supervision of the professor, aiming to understand commercial thought or mercantilism, and to clarify its impact on the development of the modern state and international trade, and how it laid the foundations of modern political economy through practical economic policies and intellectual principles, with a focus on the historical and political conditions that contributed to its emergence, the basic economic principles, the contributions of French and British mercantilists, and the positive and negative evaluation of commercial thought.

1. Expanded Lecture Summary: Commercial Thought (Mercantilism)

1.1 Emergence of Commercial Thought

The following is a presentation of the main intellectual trends after the Middle Ages:

- Merchants and Commercial Capitalism: During the fifteenth and sixteenth centuries, merchants focused on expanding business and trade and using resources. Its peak was in the sixteenth century, marking the end of the scholastic economic philosophy of the Middle Ages.
- English Political Philosophers: They contributed to building the intellectual foundations of political economy, which were later relied upon by the Classical School in the seventeenth and eighteenth centuries.
- French Physiocrats: They presented ideas about agricultural production and established theories that later contributed to the development of political economy.

1.2 Reasons for the Emergence of Commercial Thought

The following is a presentation of multiple causes:

- Political Reasons: Collapse of feudalism, rise of the nation-state, weakening of religious and absolute royal authority, and the emergence of economic freedom that encouraged commercial initiatives.
- Scientific Reasons: Advancements that include the printing press, new production methods, geographic discovery, and the reassessment of artisanal work as a means of supporting trade.

- Economic Reasons: Expansion of internal and external trading, rise in agricultural and industrial activity, and rise of trading and colonial companies, which facilitated the accumulation of wealth and expansion of institutional power.

1.3 Social and Economic History

The following is a presentation of historical and social events.

- Establishment of a centralized nation-state with the ability to allocate economic resources and focus economic activities.
- Rise of the economic bourgeoisie.
- Establishment of trade companies in connection with geographic discoveries.
- Colonial competition for access to resources and markets.

1.4 Principles of Commercial Economy

The following is a presentation of the principles:

- Population Growth as an Indication of Economic and Military Power: Emphasize a large population as an indicator of boosting productive and military capacity without regard to individual welfare or social justice.
- Gold and Silver as a Source of Wealth: Accumulation of precious metals as a symbol of economic power and funding projects and the state.
- Securing a Trade Surplus: The process of boosting exports and decreasing imports to enable the movement of gold and silver, known as organized trade."
- Intervention of the State: Governments protect domestic industry, apply customs duties, support companies, and direct economic activities.
- Preference of Trade and Industry over Agriculture: Trade and industry represent sources of income while agriculture was considered only secondarily.

1.5 Contributions of Mercantilists

The contributions are as follows:

- Quantity Theory of Money: The prices levels are directly connected to the stock of gold and silver.
- Price Investigation: An abundance of gold produces inflation.
- Foreign Trade: Consequently, we need to ensure we understand the trade relations between countries to encourage a trade surplus.
- Practical Orientation: categorize the industry, invest in a particular market or phase of the process, and manage the types of national resources towards the posture of a market.

1.5.1 French Mercantilism

- Antoine de Montchrétien: coined the phrase "political economy," in favor of government involvement to grow ideas for industry and infrastructure.
- Jean-Baptiste Colbert: industry protection, export regulation and colonial concerns, taxing goods with customs, stoicism of precious metals in the state.
- Pierre le Pesant de Boisguilbert: free trade advocate, concentrated on domestic demand, the capital is reproduced at home, the fundamentals of the economic cycle.

1.5.2 British Mercantilism

- Thomas Mun and William Petty: concentrated on the role of money and investment, contribution to the foundations of a quantitative economy - the role of labor as well as land.
- David Hume: rejected the accumulation of gold, the role of trust and credit, and that deficits could be considered as not harmful, little to no government involvement.

1.6 Evaluation of Commercial Thought

The following is a presentation of the evaluation:

- Positive: Analytical methodology, establishing monetary theory, setting practical policies, integrating theory with practical application.
- Negative: Colonial exploitation, focus on state interests at the expense of individual welfare, plundering resources, and colonization of peoples.

2. Questions Directed to Students

2.1 Direct Questions

1. What is mercantilism, and when did it emerge in Europe?
2. Name the main intellectual trends that contributed to the development of commercial thought.
3. What were the political reasons for the emergence of mercantilist ideas?
4. What were the scientific reasons for the emergence of mercantilism?
5. What were the economic reasons for its emergence?
6. List the main principles of commercial capitalism.
7. Name three French mercantilists and describe their contributions.
8. Explain Gresham's Law.
9. How did David Hume influence economic thought?
10. Evaluate the positive and negative aspects of mercantilist thought.

2.2 True/False Questions

1. Mercantilism prioritized individual welfare over state power.
2. Merchants emphasized population as a source of power.
3. Colbert supported state intervention in trade and industry.
4. Mercantilists considered agriculture the main source of wealth.
5. Gresham's Law explains the circulation of money based on quality.
6. David Hume rejected bullionism.
7. Mercantilist policies encouraged a trade surplus.
8. Montchrétien coined the term "political economy."
9. Boisguilbert supported state control of production.
10. Mercantilist thought contributed to modern political economy.

2.3 Multiple Choice Questions

1. According to mercantilists, a nation's wealth was measured by A) land B) gold and silver C) agricultural production D) population
2. What did mercantilist thinkers believe would be the best way to accumulate wealth? A) agriculture B) industry and trade C) the consumption of luxury goods D) services
3. What was the focus of mercantile economic policy? A) citizens' welfare B) the power of the state C) social justice D) profit for individuals.
4. Who was the first person to use the expression political economy in France? A) Colbert B) Montchrétien C) Boisguilbert D) Petty
5. Who was a pro free trade advocate while noting the importance of domestic demand? A) Colbert B) Montchrétien C) Boisguilbert D) Mun
6. Which law examines the circulation of goods versus, bad money? A) Hume's Principle B) Gresham's Law C) Quantity Theory of Money D) Smith's Law
7. Primary concern of bullionists? A) Population B) Gold and silver accumulation C) Trade freedom D) Agriculture
8. Mercantilists considered agricultur in relation to industry? A) More important B) Less valuable C) Equal D) Primary source of wealth
9. Negative aspects of mercantilism? A) Trade surplus B) Colonialism C) Accumulation of gold D) State intervention
10. Mercantilism paved the way for? A) Keynesian economics B) Physiocracy and Classical economics C) Marxist economics D) Neoclassical economics

2.4. Other Questions:

Answer the following questions:

1. Complete the description on the emergence of commercial thought

Aspect	Description
Intellectual trends after the Middle Ages	
Reasons for emergence – Political	
Reasons for emergence – Scientific	
Reasons for emergence – Economic	
Historical overview	

2. Complete the description on the principles of commercial capitalist economy

Principle	Description
Population as a source of economic/military power	
Gold and silver as national wealth	
Trade surplus as measure of national wealth	
State intervention in economic activity	
Preference for trade and industry over agriculture	

3. Complete the description on the contributions of mercantilists to economic thought.

Contribution	Description
Quantity Theory of Money	
Price analysis	
Foreign trade	
Practical economic policy	

4. Complete the description on French mercantilism and its thinkers

Thinker	Contributions
Antoine de Montchrétien	
Jean-Baptiste Colbert	
Pierre Le Pesant de Boisguilbert	

5. Complete the description on British mercantilism and its thinkers

Thinker	Contributions
Sir Thomas Gresham	
William Petty	
David Hume	

6. Complete the evaluation of mercantilist economic thought

Aspect	Explanation
Positive contributions	
Negative contributions	

3. Answers

3.1 Answers to Direct Questions

1. Mercantilism is an economic system emphasizing state power, gold/silver accumulation, trade surplus, and government intervention; emerged in the 16th–18th centuries.
2. Merchants, English Political Philosophers, French Physiocrats.
3. Collapse of feudalism, rise of nation-states, decline of absolute religious/royal authority, emergence of economic freedom.
4. Printing press, new production methods, maritime navigation, geographical discoveries, artisanal reorganization.
5. Expansion of agriculture, wage labor, internal/external trade, trading companies, colonies.
6. Population as power, gold/silver accumulation, trade surplus, state intervention, industry/trade over agriculture.
7. Montchrétien, Colbert, Boisguilbert; contributions: political economy, state intervention, industrialization, free trade advocacy.
8. Bad money drives out good when legal vs. market ratios differ.
9. Rejected bullionism, emphasized credit and trust, trade deficits not necessarily harmful, moderate economic liberalism.
10. Positive: systematic analysis, monetary theory, state-led policy; Negative: colonial exploitation, focus on state over citizens.

3.2 Answers to True/False Questions

11. False
12. True
13. True
14. False
15. True
16. True
17. True
18. True
19. False
20. True

3.3 Answers Multiple Choice Questions

- 21. B
- 22. B
- 23. B
- 24. B
- 25. C
- 26. B
- 27. B
- 28. B
- 29. B
- 30. B

3.4 Answers to Other Questions

1.

Aspect	Description
Intellectual trends after the Middle Ages	Merchants (commercial capitalism) in 15th–17th centuries; English political philosophers in 17th–18th centuries; French Physiocrats in 18th century
Reasons for emergence – Political	Collapse of feudal system; rise of nation-states; challenge to divine right and religious authority; new political thought supporting economic freedom
Reasons for emergence – Scientific	Printing press; new manufacturing methods; organized artisanal work under merchants; advances in navigation enabling geographical discoveries
Reasons for emergence – Economic	Agricultural surplus entering markets; wage labor emerging; increase in trade (internal and international); establishment of trading companies and colonies
Historical overview	Emergence of centralized nation-state, expansion of bourgeoisie, growth of trading companies, colonial competition; wealth defined by precious metals and trade surplus

2.

Principle	Description
Population as a source of economic/military power	High population = abundant labor, lower wages, stronger army; goal was state power, not social welfare

Gold and silver as national wealth	Precious metals symbolized wealth and financed military projects; Bullionists emphasized accumulation
Trade surplus as measure of national wealth	Export > import = inflow of gold and silver; trade policies promoted exports, restricted imports
State intervention in economic activity	Strong government regulation, customs duties, privileges for national companies, support for trade fleets and colonies
Preference for trade and industry over agriculture	Industry and trade seen as main wealth sources; agriculture important only for subsistence; encouraged national industrialization

3.

Contribution	Description
Quantity Theory of Money	Recognized link between money supply and price levels; inflow of precious metals leads to inflation
Price analysis	Related abundance of money to rising prices; laid foundation for later monetary theory
Foreign trade	Developed concept of trade relations as competition for surplus, not equal exchange
Practical economic policy	First integrated economic policy at state level; protected national industries, organized trade, directed resources toward state interest

4.

Thinker	Contributions
Antoine de Montchrétien	Coined term “political economy”; advised King Louis XIII; emphasized state power via wealth accumulation, industry, trade, infrastructure; gold = “nerve of war”
Jean-Baptiste Colbert	Finance minister under Louis XIV; focused on industrial development and protectionism; promoted colonies and maritime trade; too much control slowed technological progress; Colbertism = state involvement in economy
Pierre Le Pesant de Boisguilbert	Criticized state intervention; promoted free trade and domestic demand; emphasized agriculture/industry that meet society’s needs; anticipated economic multiplier effect

5.

Thinker	Contributions
Sir Thomas Gresham	Gresham's Law: "Bad money drives out good"; foundation of monetary thought in English mercantilism
William Petty	Early quantitative/statistical economics; Political Arithmetic to estimate national wealth; labor theory of value; advocated low interest rates, banks, and paper money issuance
David Hume	Criticized hoarding of money; trade deficit not necessarily harmful; interest rates determined by real factors; moderate economic liberalism balancing freedom and state intervention; influenced Adam Smith

6.

Aspect	Explanation
Positive contributions	Systematic economic analysis; early monetary theory; organized foreign trade; state-level economic policies
Negative contributions	Colonial exploitation; pursuit of gold and precious metals at expense of colonized peoples; monopolies and trade restrictions
Overall significance in economic thought	First step toward independence from moral/religious philosophy; established foundations for Physiocracy and Classical economics; introduced debate on state-market relations, trade policy, and national power

Conclusion

This session shows that commercial thought or mercantilism represents the first stage of modern economic thought, linking practical economic analysis with theoretical principles concerning state power and national wealth. Mercantilism laid the foundations of political, monetary, and commercial economy, paving the way for physiocrats and then the Classical School, highlighting the importance of the state in protecting trade and industry. However, the negatives related to colonialism and exploitation of peoples make studying this stage necessary to understand the development of modern economy and its relationship with political power and international trade.

The eighth Directed work session Economic Thought of the Physiocrats (Naturalists)

Introduction

In this Directed work session, students will present a research titled: "The Concept of 'Natural Order' in Physiocracy and Its Impact on Classical Economic Thought" and discuss it with colleagues under the supervision of the professor, aiming to understand natural economic thought or Physiocracy, clarify its impact on the development of classical economic thought, learn the basic principles of this thought, the role of agricultural production as a source of wealth, the concept of natural law, contributions of François Quesnay, Mirabeau, and Turgot, in addition to evaluating the positive aspects and criticisms of this movement compared to the previous mercantilist system.

1. Expanded Lecture Summary: Natural Economic Thought (Physiocrats)

1.1 Emergence of Physiocracy

Below is a presentation of the main elements of natural economic thought:

- **Definition of Physiocracy:** It is a French school that emerged in the second half of the eighteenth century and represented the first organized attempt to observe and analyze economic events methodically.
- **Transition Period:** Physiocracy faced a shift from a commercial orientation (Mercantilism) which measured a nation's wealth by its accumulation of gold and silver; to a classical orientation which considered the production of goods as the basis of measured value.
- **Key Point - Physiocrats** understood that the actual source of wealth for nations is the surplus of agricultural production as that is the only sector of the economy which creates actual surpluses for the other sectors to use.

1.2 Natural Law and Basic Principles

The Physiocrats core principles are summarized below:

- **Natural Law:** Natural law governs human and social behaviors as well as behaviors confined or produced by government officials or bureaucracies.
- **Private Property/Economic Freedom:** The notion of work and exchanging goods are allowed as long its not violating natural laws.
- **Principle "Let it flow, let people work"** (Laissez-faire, laissez-passer): The foundation to economic freedom.
- **Attention to Land:** Land is the source of wealth, agriculture is the source of value, while industry and trade simply redistribute value.

1.3 Main Figures of the Physiocrats

Below is a presentation of the main figures and their contributions:

1.3.1. François Quesnay

Founder of the school, established the Economic Table (Tableau Économique) as the first quantitative model of economic circulation, dividing society into three classes:

- The productive class (farmers), which generates a net surplus
- The proprietors (the king, landowners, tax collectors)
- The sterile class (industrialists, artisans, merchants), which redistributes products without producing a new surplus

1.3.2. Mirabeau

Worked on simplifying and disseminating Physiocratic ideas through his books *La Philosophie rurale* and *La théorie de l'impôt*.

1.3.3. Turgot

Practically applied Physiocratic ideas to modernize French agriculture between 1764–1789, advocating free trade, fighting monopolies, and ensuring tax justice for producers.

1.4 Contributions of François Quesnay

Below is a presentation of his main contributions:

1.4.1. In Medicine

Discovery of the circulation of organs, drawing inspiration from Arab scholars such as Ibn al-Nafis, and introducing the concept of the “economic circulation,” resembling the circulatory system of the body.

1.4.2. In Economics

- Formation of the French Physiocrat school
- Formalization of economic circulation and agricultural surplus.
- Classification of society into three different classes to ensure equitable distribution of surplus.
- Highlighting the worth of agricultural production, as this was the basis of economic surplus.
- Integrating the three sectors—agriculture, industry, and trade—within a comprehensive economic cycle.
- Stressing social distribution of agricultural surplus to support general economic activity.

1.5 Positive Evaluation of the Physiocrats

Below is a presentation of the positive points:

- Independence of Economics as a Science: Liberation from philosophy, politics, and mercantilist practices.
- Moving Focus from Money to Real Production: Treating productive activity as the source of wealth.
- Promotion of Economic Liberty: Establishment of Laissez-faire, laissez-passer and elimination of monopolies.
- Producing and Consuming Explained: Consumption as an important driver of production and income growth.
- Contribution to Macro Analysis and Income Circulation: Seeking the maximum net surplus (Produit net) to increase the nation's wealth.

1.6 Criticism of the Physiocrats

The following displays the key critiques:

- Overreliance on Natural Laws: Disregarding the economic aspects of human and political influences.
- Restricting the meaning of 'Production' to just agriculture - thereby not counting other important kinds of value creation which presents in other sectors, including industry and services.
- Relying on an Individual Tax applied to only one sector of the economy - agricultural surplus - which holds is not appropriate for today's multi-sector economy.
- Too much focus on Agriculture and not enough on Industry - limiting an economic development plan that is mainly agricultural-based activity.

2. Questions

2.1 Direct Questions

1. What is Physiocracy and when did it emerge?
2. Who were the main people associated with the Physiocratic thinkers?
3. What did these Physiocratic thinkers call "natural law"?
4. What role does agriculture and agricultural surplus play in this thinking?
5. What did Quesnay's Economic Table represent?
6. How did Quesnay distinguish societal organization of the economy for purposes of the economic cycle?
7. What are the major contributions of Mirabeau and Turgot?
8. According to Quesnay, what is meant by "the economic cycle"?
9. What are the positives that Physiocrats added to economic thought?
10. What are the main criticisms directed at them?

2.2 True/False

1. Physiocrats considered industry as the main source of wealth.
2. They focused on freedom of work and exchange according to natural law.
3. The Economic Table shows how surplus is distributed among social classes.
4. Mirabeau contributed to simplifying and spreading Physiocratic thought.
5. Turgot practically applied the principles to French agriculture.
6. Physiocrats advocated trade monopolies.
7. They focused on consumption as a factor in increasing production.
8. All their criticisms of mercantilist policies were accurate.
9. Agricultural surplus is the basis of economic and social distribution.
10. Their thought was limited to agricultural production only.

2.3 Multiple Choice Questions

1. What is the main source of wealth according to Physiocrats? A) Gold and silver B) Agriculture C) Industry D) Trade
2. The famous Physiocratic slogan Laissez-faire, laissez-passer means: A) Full governmental intervention B) Economic freedom C) Trade regulation D) Protection of industry
3. Who established the Economic Table? A) Mirabeau B) Turgot C) François Quesnay D) Adam Smith
4. How did Quesnay divide society? A) Two: productive and sterile B) Three: productive, proprietors, sterile C) Four: agriculture, industry, trade, services D) One class
5. What was the main goal of the Physiocrats? A) Accumulation of gold B) Economic freedom and production of agricultural surplus C) Only free trade D) Protection of the king
6. Which figure practically contributed to developing French agriculture? A) Quesnay B) Mirabeau C) Turgot D) Adam Smith

2.4. Other Questions:

Answer the following questions:

1. Complete the description on the emergence of physiocratic thought

Aspect	Description
Intellectual trends in France	
Reasons for emergence – Political	
Reasons for emergence – Scientific	
Reasons for emergence – Economic	

Historical overview	
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2. Complete the description on the principles of physiocratic thought

Principle	Description
Natural law governing society	
Agriculture as source of wealth	
Economic freedom	
Social classes and distribution	
Focus on production and circulation	

3. Complete the description on the contributions of François Quesnay

Contribution	Description
Founder of Physiocratic school	
Economic Table (Tableau Économique)	
Division of social classes	
Concept of economic value	
Integration of sectors	
Agricultural surplus and social distribution	

4. Complete the description on the key figures of physiocracy

Thinker	Contributions
François Quesnay	
Mirabeau	
Turgot	

5. Complete the evaluation of physiocratic thought

Aspect	Explanation
Positive contributions	
Criticisms	
Overall significance	

3. Model Answers

3.1 Direct Questions

Physiocracy is a French school that emerged in the second half of the eighteenth century, aiming to study economics according to natural law.

2. François Quesnay, Mirabeau, Turgot.

3. Natural law governs human and societal behavior, and governmental intervention should be limited.

4. Agriculture is the main source of economic surplus and wealth.
5. The Economic Table illustrates the economic cycle and the flow of wealth among classes.
6. Productive, proprietors, sterile.
7. Mirabeau spread Physiocratic thought; Turgot applied principles practically.
8. The economic cycle represents the flow of wealth among sectors and classes to ensure continuity of economic activity.
9. Independence of economics as a science, focus on production, advocacy of economic freedom, importance of consumption, contribution to macro analysis.
10. Excessive reliance on natural laws, focus solely on agriculture, individual tax on surplus, neglect of industry.

3.2 True/False

1. False
2. True
3. True
4. True
5. True
6. False
7. True
8. False
9. True
10. True

3.3 Multiple Choice

11. B
12. B
13. C
14. B
15. B
16. C

3.4. Answers to Other Questions

- 1.

Aspect	Description
Intellectual trends in	Reaction against mercantilism; Enlightenment emphasis on

France	rationality; focus on natural law and production
Reasons for emergence – Political	Decline of feudal privileges; rise of centralized monarchy; need for rational policies to manage resources and taxation
Reasons for emergence – Scientific	Advances in natural sciences and observation; use of quantitative reasoning and systematic modeling
Reasons for emergence – Economic	Agricultural surplus available for redistribution; growth of markets; increasing awareness of production as wealth
Historical overview	1750s–1780s France; Quesnay, Mirabeau, Turgot as central figures; emergence of first homogeneous economic school

2.

Principle	Description
Natural law governing society	Economy self-regulates if individuals are free; government role minimal
Agriculture as source of wealth	Only farming creates net product; other sectors merely redistribute existing wealth
Economic freedom	Freedom to work, trade, and own property; principle of "Laissez-faire, laissez-passer"
Social classes and distribution	Productive class produces surplus, proprietors manage land rents, sterile class redistributes wealth
Focus on production and circulation	Tableau Économique models flow of resources; surplus circulation ensures social and economic balance

3.

Contribution	Description
Founder of Physiocratic school	Promoted agriculture as primary wealth source; encouraged systematic study of economy
Economic Table (Tableau Économique)	Illustrated circulation of wealth among social classes and sectors; first economic model
Division of social classes	Farmers (productive), Landowners/king (proprietary), Industrialists/traders (sterile)
Concept of economic value	Value arises in agriculture; other sectors transform/distribute existing value
Integration of sectors	Agricultural surplus supports crafts and trade; shows interdependence of economic sectors

Agricultural surplus and social distribution	Surplus drives national growth and income distribution; emphasizes fairness in taxation and resource allocation
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4.

Thinker	Contributions
François Quesnay	Founder; created Tableau Économique; emphasized agricultural production; analyzed net product cycle
Mirabeau	Simplified and disseminated Physiocratic ideas; promoted free trade and just taxation
Turgot	Applied ideas practically; modernized agriculture; reduced monopolies; promoted economic freedom

5.

Aspect	Explanation
Positive contributions	Established economics as independent science; highlighted production as source of wealth; advocated economic freedom; early macroeconomic and intersectoral analysis
Criticisms	Overreliance on natural laws; ignored industry and commerce; single tax proposal impractical; narrow focus on agriculture
Overall significance	Laid foundation for Classical economics; influenced Adam Smith; introduced scientific approach to economic analysis; emphasized production, surplus, and income distribution

Conclusion

Physiocracy denotes a pivotal moment in the evolution of economic thought. The physiocrats made the first organized scientific exploration of the national economy, conceptualizing a national economy characterized by agricultural production and surplus as a foundation of wealth. Physiocracy recognized economic freedom and provided a foundation for rigorous analysis of the economy, and this method of economic reasoning later influenced classical thought, particularly Adam Smith, until physiocracy was criticized for focusing solely on agriculture and for neglecting industry. Their contribution continues to be indispensable to understanding the sweep of economic theory from mercantilism to classical economics.

The ninth Directed work session: Classical Economic Thought and Capitalist Liberalism

Introduction

In this Directed work session, students will present a research titled: "Adam Smith's Contribution to Classical Economics and the Idea of the Invisible Hand" It will be discussed with colleagues under the supervision of the Directed works professor. In addition to presenting the research, a set of questions will be addressed and answered, and discussed by the students to enhance their understanding of classical thought and capitalist liberalism, especially Adam Smith's contributions and the ideas of other classical figures such as David Ricardo, Thomas Malthus, and John Stuart Mill.

1. Lecture Summary

1.1 Historical and Social Context

The Classical School arose in the late 18th century in the wake of large-scale social change, including the Industrial Revolution, the establishment of the United States, and the French Revolution. Classical economics examined economic freedom, competition, and limited government involvement. The aforementioned changes set the social and economic landscape for the beginnings of modern capitalism focused on the individual's right to self-interest, production and free exchange as pathways to promote the general welfare, and the development of markets, moving to industrial production, and the development of industrial capital.

1.2 Distinctive Features of Classical Thought

Classical economic thought relied on scientific processes and rational analysis, to the exclusion of religion or other metaphysical explanations for economic activity. Emphasis was placed on the individual, the concepts of private property, and natural laws that would govern an economy. There were material transformations toward a new kind of producing, often as part of a marketplace and a labor force, and the Industrial Revolution offered the material and technical possibilities for the emergence of inventions, including the steam engine and industrial mechanization. Collectively, all of these developments produced scenarios where productivity and economic growth were realizable, providing a basis from which to understand the relationship among labor, capital, and goods and services within the context of the free markets.

1.3 Adam Smith and Classical Economic Thought

Adam Smith championed the notion of economic activity as determined by natural laws, individuals acting independently and in their own interest will achieve the public good. He

argued for economic freedom with a limited role of the state, including organization of defense, maintaining justice, and supporting public works, he also rejected monopolies and the accumulation of gold as wealth determinants.. He emphasized the productivity increases coming from the division of labor, and he explained how capital must accumulate before economies could grow and wealth could increase of a society, and established the theoretical basis for classical economics and modern capitalist liberalism.

1.4 David Ricardo's Contributions

In this section, the main contributions of Ricardo to classical thought are presented as follows:

- Labor Theory of Value: The value of a commodity is determined by the labor required to produce it.
- Comparative Advantage: Countries will specialize in producing goods for which they have a comparative advantage if they are to mutually benefit from trade.
- Theory of Rent: The best lands will have the highest rents.
- Distribution Theory: Income is distributed among labor, capital, and land based on supply and demand.
- Support for Free Trade: The focus is on eliminating restrictions and impediments to unrestricted exchange between countries.
- Economic Effect of Wages and Rent: The focus is on how income distribution contributes to production and national wealth.

1.5 Thomas Malthus

Malthus emphasizes the dynamic between population growth and economic growth. He believed that population growth would ultimately outpace food supply growth, leading to poverty and social disorder which needed to be remedied by preventative measures such as marrying later, and positive checks of famine and wars. He also emphasized exchange and profits in value, and then argued that crises in the economy were often caused by insufficient demand due to an unequal distribution of wealth, thereby setting the stage for an understanding of economic crisis and natural limits of growth.

1.6 John Stuart Mill's Contributions

Both Mill and Ricardo saw how capital might move from sector to sector, based on demand, but this movement does not have to produce additional jobs. Mill suggests spending on wages paves the way for job creation, and he encourages taxes on the rich if they genuinely recycle productive surplus. He believes that the distribution of wealth in society is not only a factor of market influence but is also shaped by customs and structures

that govern social behavior; this gives further credence to the intertwining of economics and social philosophy as Mill underscores the value of wealth redistribution to improve economic justice and social stability.

1.7 Orientation Towards Capitalist Liberalism

Classical economics thinkers, such as Adam Smith, saw the solution to excess and disorder in limited government intervention in the economy, focusing on individual self-interest and promoting free trade. Ricardo continues with this idea of free trade and market mechanisms and advocates against monopolies. Malthus addresses natural limits to growth and lifts from growth the importance of controlling population growth so that absolute economic imbalance would not occur and Mill through proper tax redistributive policies and an education of habit and custom regarding the distribution of wealth in society and the customizing of socio-historical factors could redeem economic stability and enhance social life.

2. Questions

2.1 Direct Questions

1. When did the Classical School emerge, and what is the historical context of its emergence?
2. 1. Who are the leading theorists in the Classical School?
2. What are Adam Smith's principal ideas?
3. Define the notion of an "invisible hand."
4. What are Ricardo's contributions to value theory and international commerce?
5. What is Ricardo's concept of comparative advantage?
6. What does Malthus have to say about population growth and the economic crisis?
2. How did Mill view wealth distribution and taxation?
3. What role did the Industrial Revolution play in the development of classical economics?
4. What is the relationship between economic freedom and individual interest in classical thought?

2.2 True/False Questions

1. Adam Smith supported full government intervention in the economy.
2. Labor is the primary source of wealth according to Smith.
3. Ricardo formulated the theory of comparative advantage in international trade.
4. Malthus focused on the relationship between population and food production.
5. Mill considered wealth distribution to be influenced by customs and social structures.
6. The Classical School emerged before the Industrial Revolution.

7. Mercantilist theory focused on the accumulation of gold.
8. Division of labor increases productivity according to Smith.
9. Ricardo rejected free trade and preferred monopolies.
10. Mill believed that fair taxes were necessary to allow for economic stability.

2.3 Multiple Choice Questions

1. Who is thought to have founded modern economic thought? A) David Ricardo B) Adam Smith C) Thomas Malthus D) John Stuart Mill
2. The meaning of the 'invisible hand' is: A) The economy is fully controlled by the government B) Individual self-interest guides economic activity for the public good C) It's a commercial monopoly D) Accumulation of gold
3. Comparative advantage describes: A) Internal division of labor B) International trade and specialization of production C) Determining wages D) Taxation
4. Malthus's population theory tells us: A) Population increase is slower than food production B) Population growth increases faster than food production C) Population has no effect on the economy D) The economy only controls population
5. Who was the economist who merged economics with social philosophy? A) Adam Smith B) David Ricardo C) Thomas Malthus D) John Stuart Mill
6. Smith said division of labor: A) Reduces productivity B) Increases productivity C) The division of labor has no effect D) Limits wealth
7. The main function of the state according to Smith: A) Full intervention B) Defense, justice, and public services C) Trade regulation D) Price setting
8. What did Smith reject in mercantilism? A) Economic freedom B) Accumulation of gold as a source of wealth C) Production specialization D) The invisible hand
9. Ricardo studied income distribution between: A) Government and people B) Labor, capital, and land C) Industrialists and farmers D) Monarch and social classes
10. The main goal of the Classical School: A) Accumulating gold B) Promoting economic freedom and competition C) Industrial monopoly D) Increasing taxes

2.4. Other Questions:

1. Complete the description on the emergence of classical economic thought

Aspect	Description
Historical context	
Intellectual developments	
Material transformations	

Role of the Industrial Revolution	
Significance in development of modern economics	

2. Complete the description on Adam Smith's economic thought

Principle	Description
Natural order and "invisible hand"	
Economic freedom and limited government intervention	
Critique of monopoly and trade restrictions	
Critique of mercantilism	
Labor as source of wealth and division of labor	
Capital and capital accumulation	
Market laws, value, and distribution	
Conditions for success of free market	

3. Complete the description on David Ricardo's contributions

Aspect	Description
Research methodology	
Theory of distribution	
Theory of rent	
Theory of value	
Wages and labor	
Theory of international trade (comparative advantage)	

4. Complete the description on Thomas Malthus's contributions

Aspect	Description
Population theory	
Law of diminishing returns	
Theory of value	
Theory of economic crisis	

5. Complete the description on John Stuart Mill's contributions

Aspect	Description
Capital and labor	
Consumption and labor relationship	
Role of taxes and income tax	
Effect of taxes on capital and labor distribution	
Influence of customs and historical context	

Value of money and purchasing power	
International trade and its benefits	

6. Complete the description on the orientation toward capitalist liberalism for each thinker: Adam Smith, David Ricardo, Thomas Malthus, and John Stuart Mill.

Thinker	Main Contributions to Capitalist Liberalism
Adam Smith	
David Ricardo	
Thomas Malthus	
John Stuart Mill	

3. Answers

3.1 Answers to Direct Questions

1. The Classical School emerged in the late 18th century during the Industrial Revolution and major political and social changes.
2. Main thinkers: Adam Smith, David Ricardo, Thomas Malthus, John Stuart Mill.
3. Smith's main ideas: economic freedom, individual interest, division of labor, criticism of monopoly and mercantilism, capital accumulation.
4. Invisible hand: A public good is produced by individuals wanting to advance their individual self-interest with no government coercion.
5. Contributions of Ricardo: labor theory of value, theory of comparative advantage, theory of rent, distribution theory, advocate for free trade, and analysis of wage and rent effects.
6. Comparative advantage: A country produces and trades goods in which it has comparative advantage, and both parties receive ultimately mutual gains.
7. Malthus: Population growth tended to exceed the growth of food, leading to widespread poverty and crisis, including preventive checks and positive checks.
8. Mill: wealth distribution is influenced by customs and social structures; fair taxes support stability.
9. Industrial Revolution: provided technological innovations, increased productivity, and facilitated industrial capitalism.
10. Economic freedom and individual interest lead to public good, increased productivity, and welfare.

3.2 Answers to True/False questions

1. False
2. True
3. True

4. True
5. True
6. False
7. True
8. True
9. False
10. True

3.3 Answers to Multiple Choice Questions

1. B
2. B
3. B
4. B
5. D
6. B
7. B
8. B
9. B
10. B

3.4 Answers to Other Questions

- 1.

Aspect	Description
Historical context	Late 18th century; Industrial Revolution in Britain; American Independence (1776); French Revolution (1789); collapse of feudalism and craft guilds.
Intellectual developments	Influence of Physiocrats; rise of Enlightenment ideas; retreat of religious authority; emphasis on scientific and experimental methods; political and social philosophy (Montesquieu, Rousseau, Hobbes).
Material transformations	Shift to specialized production; division of labor; capitalization of agriculture; emergence of labor market; expansion of domestic market; accumulation of capital.
Role of the Industrial Revolution	Technological innovations (steam engine, textile machinery, steel production) increased productivity and industrial output;

	established Britain as leader in industrial capitalism.
Significance in development of modern economics	Foundation for classical economics; emphasis on economic liberty, market competition, and limited government intervention; shaped modern capitalist thought.

2.

Principle	Description
Natural order and “invisible hand”	Individuals pursuing self-interest unintentionally promote public good; economy functions without heavy state intervention.
Economic freedom and limited government intervention	Government should only protect society, provide justice, and public goods; otherwise, state intervention is harmful.
Critique of monopoly and trade restrictions	Monopolies limit competition and fairness; Smith advocated free competition and removal of trade restrictions.
Critique of mercantilism	Wealth is not measured by gold or silver but by production and exchange; mercantilist policies serve specific merchants, not society.
Labor as source of wealth and division of labor	Labor is fundamental for national wealth; division of labor increases productivity through specialization.
Capital and capital accumulation	Capital accumulation enables expansion of production; dependent on savings and investment; fosters efficiency.
Market laws, value, and distribution	Prices, wages, supply, demand, and profits self-regulate through competition; labor, capital, and land returns determined by market.
Conditions for success of free market	Large market; sufficient capital; sound tax system; protection of property; infrastructure for investment and enterprise.

3.

Aspect	Description
Research methodology	Deductive and abstract analysis; focused on economic laws rather than historical narrative; precise and systematic.
Theory of distribution	Allocation of national income among social classes;

	concerned with income imbalances and economic stability.
Theory of rent	Differential rent theory; rent arises from differences in land fertility and production costs.
Theory of value	Exchange value based on labor; distinguished from use value; labor plus capital and land in advanced societies.
Wages and labor	Labor as commodity; wages divided into nominal and real; natural wage ensures subsistence; market wages depend on supply and demand.
Theory of international trade (comparative advantage)	Trade benefits all countries if they specialize according to comparative advantage, even if one is more efficient overall.

4.

Aspect	Description
Population theory	Population grows geometrically, food grows arithmetically; imbalance leads to poverty; preventive and positive checks regulate population.
Law of diminishing returns	Increased production faces natural limits; productivity cannot grow indefinitely due to resource constraints.
Theory of value	Value arises from exchange, including profits, not solely from labor; focus on exchange process rather than production.
Theory of economic crisis	Crises result from insufficient aggregate demand; excessive savings by upper class and inadequate consumption by lower class; intervention may restore equilibrium.

5.

Aspect	Description
Capital and labor	Capital moves between industries according to demand; redistribution affects employment opportunities.
Consumption and labor relationship	Workers benefit more from wages generated by investment in labor than luxury consumption; abstaining from consumption can boost employment.
Role of taxes and income tax	Taxing wealthy can support employment if redistributed productively; effect depends on how government uses funds.
Effect of taxes on	Proper redistribution enhances employment; improper taxation

capital and labor distribution	reduces capital productivity and harms labor.
Influence of customs and historical context	Distribution of production affected by traditions, customs, and historical arrangements; competition is not sole determinant of wages and prices.
Value of money and purchasing power	Money's value linked to quantity in circulation, demand, and velocity; inflation and deflation affect purchasing power.
International trade and its benefits	Trade increases efficiency, promotes division of labor, fosters productivity, allows surplus production, and enhances intellectual and social exchange among nations.

6.

Thinker	Main Contributions to Capitalist Liberalism
Adam Smith	Advocated self-interest as driver of public good ("invisible hand"); free trade; limited government; focus on production and exchange.
David Ricardo	Comparative advantage and free trade; labor theory of value; differential rent; natural vs. market wages; market mechanisms.
Thomas Malthus	Population and resource balance; law of diminishing returns; natural checks; crises caused by demand imbalance rather than government failure.
John Stuart Mill	Distinction between production and distribution; role of capital, labor, and taxes; influence of customs; money and trade principles; reformist tendencies within market economy.

Conclusion

The Classical School is a key feature of the emergence of modern economic thought, offering the groundwork for capitalist liberalism in its stress on economic freedom, competition, and the role of individual in the accomplishment of the public good. Adam Smith contributed the "invisible hand", and division of labor, while Ricardo, Malthus, and Mill extended rational approaches to issues of value, trade, population growth, and the distribution of social wealth. This intellectual tradition allows students to study and understand the movement from mercantilism to classical economics, and subsequently to study the influence of classical economics on public policy and the modern economic system.

The tenth Directed work session: French Socialist Economic Thought and Marxist Thought

Introduction

In this work session, students will present a research titled: "Karl Marx's Critique of Capitalism and the Concept of Surplus Value". It will be discussed with peers under the supervision of the Directed works instructor. The session aims to enhance students' ability to understand French socialist thought and Marxist thought, enabling them to analyze the contributions of Karl Marx and Friedrich Engels, in addition to studying the ideas of other socialist figures such as Saint-Simon, Fourier, Sismondi, Robert Owen, and Proudhon, and linking these ideas with core concepts such as historical materialism, labor theory of value, surplus value, class struggle, and economic crises in the capitalist system.

1.Extended Lecture Summary: Socialism and Marxism

1.1 The Sectors of Socialism

Socialism is a scholarly and political project that seeks to remedy social and economic inequalities, and the exploitation of the working classes, with an eye toward the public good of society. The main sectors of socialism are:

- Utopian Socialism: Emerged to respond to the many dislocations caused by industrial capitalism, e.g., the exploitation of workers, and the widening gap between the rich and the poor. Utopian socialists highlighted solidarity and community for social change, instead of individualism and competition, giving rise to social justice through the collective organized production and wealth.
- Cooperative Socialism: Is committed to the establishment of cooperative democratic systems that aim to achieve a public good rather than personal/individual profit.
- Marxism or Scientific Socialism: Distinct for its scientific analysis of capitalism-revealing its laws and mechanisms of exploitation-and its emphasis on class struggle as a vehicle for basic change.

1.2 The Founders of Utopian and Cooperative Socialism

The founders of this school of thought are the individuals who shaped utopian and cooperative socialist thought, which we can categorize as follows:

1.2.1. Saint-Simon (Claude Henri de Rouvroy, 1760–1825)

Saint-Simon's contributions are as follows:

-Emphasis on the role of the state in directing the means of production to ensure efficiency and improve working conditions.

-Support for retaining private property while organizing production to avoid chaos and rampant capitalism.

-His ideas subsequently contributed to the creation of Marxist theory; especially with regard to industrial planning and the centralized distribution of wealth.

1.2.2. Charles Fourier (1772-1837)

Fourier's contributions included:

- Initiated the cooperative current, stressing the importance of building a small cooperatives as the model for just societies.

- Criticized capitalism in terms of monopolies and the exploitation of labor.

- Stressed that economic liberty alone would not bring greater public good.

1.2.3. Robert Owen (1771-1858)

Owen's contributions included:

- Established industrial and agricultural cooperative communities in Britain and the United States.

- Advocated for better working conditions and the professional environment, focusing on shared ownership in small communities.

- Gave a real-world example of the cooperative current, even though he faced practical challenges and he was a key figure in laying the groundwork for the modern cooperative movement.

1.2.4. Sismondi (1773–1842)

Sismondi's contributions are as follows:

-Critiqued classical economics, rejecting the direct link between technological progress and prosperity.

-Emphasized that workers must receive fair wages proportionate to their efforts and productivity.

-Advocated state intervention to limit the influence of capital and protect the interests of weaker groups.

1.2.5. Louis Blanc (1811–1882)

Blanc's contributions are as follows:

-Pioneered organizational socialism and called for state intervention to achieve social justice.

-Established national workshops to employ workers and distribute wealth fairly.

1.2.6. Pierre-Joseph Proudhon (1809–1865)

Proudhon's contributions are as follows:

-Stressed the dual nature of private property as both a ground for freedom as well as an instrument of exploitation.

-Argued that property must be reformed to create a usage right, but not an exclusive or absolute right of control.

-Established the Proudhonian or anarchist stream emphasizing individual freedom as counter against authority and the state.

1.3 Marxist socialism and its founders

The founders of this school of thought are those who helped develop the scientific (Marxist) socialist approach and include the following:

1.3.1. Karl Marx (1818–1883)

Marx's contributions are the following:

-Developed historical materialism, which states that the way society evolves is dictated by the economic relations and means of production.

-Developed the scientific theory of capitalism, with labour value and surplus value as key categories.

-Emphasized class struggle, the relationship between capital and labour and crises, which could be comprehended and could act as a force of change.

-Produced considerable works, including Capital and The Communist Manifesto.

1.3.2. Friedrich Engels (1820–1895)

Engels' contributions are the following:

-Provided material and intellectual support to Marx, and engaged with Marx in the development of Marxist theory.

-Interpreted various social and economic conflicts and identified the foundation for Marxist economic analysis of capitalism.

1.4. Core Concepts in Marxist Thought

The core concepts of Marxist thought are as follows:

1.4.1. Historical Materialism

Societal development is determined by economic relations and means of production, not ideas.

1.4.2. Labor Theory of Value

The value of a commodity is set by the socially necessary labor time used for its making.

1.4.3. Surplus Value

the difference between the value produced by the worker and the wage they receive, the profit goes to the capitalist.

1.4.4. Organic Composition of Capital

An increase in fixed capital means that there is less labor, and less purchasing power.

1.4.5. Law of the Falling Rate of Profit

An increase in organic composition of capital means that there is a falling rate of profit and more economic crises.

The Historical Impact of Marxist and Utopian Thought is as follows:

- Understanding capitalist crises and worker exploitation.
- Providing both practical and theoretical models of achieving social justice.
- Providing empirical theoretical foundations to establish modern labor and trade union movements.
- Influencing economic and social policies through the 19th and 20th century.

2. Questions

2.1 Direct Questions

1. What are the main divisions of socialism?
2. Who are the most prominent advocates of utopian socialism?
3. What is the difference between utopian and Marxist socialism?
4. What is historical materialism according to Marx?
5. Explain Marx's concept of labor value.
6. What is surplus value?
7. How does Marx explain economic crises in capitalism?
8. What is Marx's law of the falling rate of profit?
9. What is the importance of class struggle in Marxist thought?
10. Why is Marxist socialism considered a stronger analytical tool than utopian socialism?

2.2 True/False Questions

1. Marx relied on the scientific analysis of capitalism.
2. Utopian socialism focuses on class struggle as a means of change.
3. Surplus value represents the difference between the worker's output and wage.
4. Historical materialism sees ideas as determining societal development.
5. The organic composition of capital always increases the rate of profit.
6. Class struggle is a fundamental element in Marxist thought.
7. Marx was not influenced by classical economists such as Ricardo and Smith.
8. Marxist socialism is purely theoretical and not practical.

9. Marx wrote *The Communist Manifesto* in collaboration with Engels.

10. Profit, though seemingly a normal part of economy, can sometimes cause instability.

The falling

rate of profit law might help to clarify when profit and capitalist economic irregularities begin to arise.

2.3 Multiple-Choice Questions

1. Who founded scientific socialism? A) Saint-Simon B) Fourier C) Karl Marx D) Robert Owen

2. Surplus value is defined as A) the unpaid wages of workers B) the difference between the value produced by the labor and the wages paid to workers C) profits after taxes D) product value in natural price forms.

3. Historical materialism asserts: A) ideas determine history B) economy and control of production determine society C) religion serves as the base of social development D) private property creates productive justices.

4. The organizational current in utopian socialism: A) supports absolute private property B) organizes production through the state while insisting on private property C) abolishes private property D) competition is now left up the individual

5. Cooperative socialism was constructed by: A) Saint-Simon B) Fourier C) Malthus D) Marx

6. The goal of Marxist socialism: A) Preserve capitalism B) Achieve radical change through class struggle C) Organize labor without changing society D) Promote private ownership

7. The law of the falling rate of profit concerns: A) Increasing labor B) The rise of the organic composition of capital C) Taxes D) Bank interest

8. Marx's analysis of capitalism relies on: A) Ethics and philosophy B) Scientific, economic, and social study C) Religious texts D) Traditional economy only

9. Historical materialism means: A) Focus on ideas B) Focus on materials and productive relations C) Focus on politics only D) Focus on the market only

10. Marx's ultimate goal: A) A prosperous capitalist society B) A classless society C) A limited socialist system D) State monopoly

2.4. Other Questions

Answer the following questions:

1. Complete the table on the divisions of socialism

Aspect	Description
First Division – Utopian Socialism	
First Division – Marxian or Scientific Socialism	
Second Division – Democratic Socialism	
Second Division – Popular Socialism	
Second Division – State Socialism	

2. Complete the table on French socialist thinkers and their contributions

Thinker	Type of Socialism	Contribution
Sismondi		
Pierre-Joseph Proudhon		
Saint-Simon		
Charles Fourier		
Robert Owen		

3. Complete the table on Marxian socialism and Karl Marx

Aspect	Description
Intellectual background	
Historical materialism	
Labor theory of value	
Surplus value	
Capital and composition of capital	
Law of the falling rate of profit	
Historical position	

3. Answers

3.1 Answers to Direct Questions

1. Utopian and cooperative socialism, Marxist socialism.
2. Saint-Simon, Fourier, Sismondi, Robert Owen, Louis Blanc.
3. Utopian is theoretical or reformist, focusing on cooperation and the common good; Marxist is scientific analysis of class struggle and labor exploitation.
4. Society develops according to economic and material relations, not ideas.
5. Determined by the socially necessary labor time to produce the commodity.
6. The difference between worker output and their wage, which goes to the capitalist.

7. Due to the increase in the organic composition of capital and reduction of workers' purchasing power.
8. A higher ratio of fixed to variable capital reduces the rate of profit.
9. A main means of change toward a more just society.
10. Provides a comprehensive scientific analysis of economic and social reality compared to utopian socialism.

3.2 Answers to True/False Questions

1. True
2. False
3. True
4. False
5. False
6. True
7. False
8. False
9. True
10. True

3.3 Answers to Multiple-Choice Questions

1. C
2. B
3. B
4. B
5. B
6. B
7. B
8. B
9. B
10. B

3.4. Answers to Other Questions

- 1.

Aspect	Description
First Division – Utopian Socialism	Response to industrial capitalism's exploitation and inequality; emphasizes social welfare over individualism; advocates

	cooperative systems and limited property usage.
First Division – Marxian or Scientific Socialism	Based on scientific analysis of capitalism; emphasizes class struggle as path to radical change; objective and systematic understanding of economic exploitation.
Second Division – Democratic Socialism	Reformist, peaceful, gradual transformation; class cooperation through democratic institutions; avoids revolution or complete abolition of private property.
Second Division – Popular Socialism	Mass-based, combines socialism and democracy; adapts to local conditions; emphasizes popular participation, especially among peasants.
Second Division – State Socialism	State ownership or control of economic sectors; aims for social objectives rather than profit; promotes cooperative production; state as neutral protector of social interests.

2.

Thinker	Type of Socialism	Contribution
Sismondi	Utopian Socialism	Criticized classical economics; opposed exploitation and long working hours; advocated fair wages, governmental intervention, and balance between capital and labor.
Pierre- Joseph Proudhon	Utopian/Cooperative Socialism	Critiqued private property; proposed cooperative banks and property reform; promoted individual freedom against state and institutional authority (Proudhonism/Anarchism).
Saint- Simon	Cooperative Socialism	Advocated industrial planning, technocratic state direction, centralized distribution of wealth; emphasized competence and merit in social organization.
Charles Fourier	Cooperative Socialism	Advocated small cooperative communities; focused on public benefit, not profit; criticized capitalism and monopolies; inspired utopian experiments.
Robert Owen	Cooperative Socialism	Implemented cooperative colonies in UK and US; improved working conditions; promoted collective ownership in small communities; partial success but

		theoretical inspiration for cooperative movements.
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3.

Aspect	Description
Intellectual background	Shifted from idealism to materialism; influenced by Hegel, classical economists, and socialist reformists; collaborated with Engels; studied capitalism scientifically.
Historical materialism	Societal development determined by material conditions; dominant ideas stem from production relations; history progresses from communal ownership → slavery → feudalism → capitalism → communism.
Labor theory of value	Commodity value determined by socially necessary labor time; labor has concrete (use-value) and abstract (exchange-value) aspects; money serves as measure of value.
Surplus value	Difference between worker production and wages; foundation of capitalist exploitation; capitalists appropriate surplus value.
Capital and composition of capital	Capital divided into constant capital (machines) and variable capital (labor); organic composition rises with mechanization, displacing labor and reducing purchasing power.
Law of the falling rate of profit	As constant capital rises relative to variable capital, profit rate declines unless surplus value increases proportionally; contributes to crises, unemployment, and class struggle.
Historical position	Marx predicted capitalism's crises and class struggle; influenced understanding of exploitation; informed later social reforms and labor policies; offered integrated scientific critique beyond classical economists.

Conclusion

Marxist theory is a fundamental part of a scientific critique of capitalism; Marx exposed the laws of exploitation by class and the economic crises resulting from the organic composition of capital and surplus value. Although utopian and cooperative socialists envisioned cooperation and the common good, Marx's scientific analyses provided the groundwork for analyzing social and economic conflicts in modernity and helped interpret economic policy and social justice issues. This legacy is thus an important tool for studying contemporary social and economic reform.

The eleventh directed work session: Economic Thought of the Historical School in Germany

Introduction

In this Directed work session, a group of students will present a research titled: "The Methodological Features of the German Historical School and Its Difference from Classical Economics." The session aims to enhance students' ability to understand the German Historical School, trace its historical, social, and political origins, and comprehend its critique of classical economic thought, with a focus on the school's main principles, prominent thinkers, methodological features, and its impact inside and outside Germany. The session will also provide students with the opportunity to analyze each thinker's contributions among the school's pioneers and link theory to practical contexts, developing a comprehensive critical perspective on the role of the state and institutions in guiding economic activity and achieving development.

1. Lecture Summary

1.1 The Emergence of the German Historical School

The emergence of the German Historical School can be summarized as follows: It appeared in Germany during the 1840s, founded by Friedrich List and Wilhelm Roscher, and lasted until the death of Gustav Schmoller in 1917.

The school was oriented to be critical of classical economics, the main context being Germany's own historical, social, and political circumstances at the time. It viewed the individual-society-state relationship as reciprocal—with a paternalistic role for the state in developing industry and the economy. The school valued ethical and historical understanding over abstract economic laws.

The principal tenets of the German Historical School can be stated as follows:

1.2.1 The Evolutionary Method in Economics

The philosophy of the evolutionary method is composed of the general, cumulative following of the economic and social transformations through historical time; with the idea that what may be suitable economic policy of an individual country at one time may not be suitable for another time or country.

1.2.2 The Importance of the Role of the State

The school contributed to the implication of a direct active role for the state in organizing and promoting economic development, assisting national industries, and balancing individual and collective interests.

1.2.3 The Historical and Inductive Method

The importance of this method lies in relying on real historical and social data to analyze economic phenomena, instead of abstract theoretical assumptions, while studying customs and institutions that affect economic outcomes.

1.2.4 Supporting Conservative Reform

The school advocated gradual reform that preserves social and political stability and improves workers' conditions without disrupting the existing system.

1.3 Leading Figures of the Historical School

The major scholars of the Historical School are: Friedrich List, Wilhelm Roscher, Max Weber, and Gustav Schmoller.

1.3.1 Friedrich List (1789–1846)

List's contributions include:

- Constructing the national economic system with a focus on restrictions on incipient industries.
- The role of the state in establishing economic policies to safeguard the public good.
- Describing phases of national development that include agrarian, industrial and commercial.

1.3.2 Wilhelm Roscher (1817–1894)

The contributions of Roscher include:

- Developing the historical method to study the economy and realizing that it is important to study economic phenomena in their social and historical context.
- Combining economic theory and historical analysis to learn more about the economy.

1.3.3 The contributions of Max Weber (1864–1920)

Weber's contributions include:

- Studying the relationship between Protestantism and the rise of Capitalism.
- Arguing that economic development is conditioned by religious and social factors.

1.3.4 Contributions of Gustav Schmoller (1838–1917)

Contributions of Schmoller include:

- Incremented an appropriate role of the state in economic and social matters.
- Promotion of the collection of actuals (real data) and deployment of a historical analysis in order to understand the reasons for economic development.
- Emphasis on social justice as well as a fair distribution of income.

1.4 The Historical School's Critique of Classical Economic Thought

The historical school's critique of classical economic thought can be summarized as follows:

- Rejecting claims made by classical economic thought that economic laws are universal and eternal, and claiming that laws are associated with particular times, places and social conditions.
- Critique of the abstract assumptions of classical economists, while relying on observable historical realism.
- Rejection of the "economic man" concept that focuses on individual selfishness, emphasizing the complexity of social, ethical, and cultural human motivations.

1.5. Methodological Features of the German Historical School

The methodological features of the school are as follows:

1.5.1 The Darwinian Method

The importance of the Darwinian method lies in understanding economic phenomena in their historical and evolutionary context, taking into account differences in policies and institutions based on each country's historical experiences.

1.5.2 The Inductive Method

The inductive method emphasizes relying on the practical observation of historical and contemporary facts and deriving economic laws from real data.

1.5.3 The Interventionist Method

The interventionist method considers the state as the primary unit of economic analysis and taking an active role in directing economic activity to achieve public interest.

1.5.4 The Reformist Method

The reformist method focuses on gradual reform using existing institutions to maintain social and political stability while responding to some social demands.

1.6. The Impact of the Historical School Outside Germany

The main impacts of the Historical School outside Germany can be summarized as follows:

- The emergence of a weak historical school in England, critiquing Ricardo's approach.
- The greatest impact occurred in the United States, where German-trained graduates established institutional intellectual schools.
- The school's influence continues in applied studies combining economic theory and historical data, contributing to studies related to innovation and entrepreneurship.

1.7 Evaluation of the German Historical School

The key aspects of evaluating the school are:

- Strengthening the historical and analytical method as a complement to the deductive method.

- Constructive critique of the idea of absolute economic freedom and the importance of organized institutions.
- Some pioneers went beyond the national scope toward a military tendency, utilizing their state connections to support elite interests and achieve moderate reforms without full democratic transition.

2. Questions

2.1 Direct Questions

1. What is the emergence of the German Historical School?
2. Who are the main pioneers of the German Historical School?
3. What are the main principles of the Historical School?
4. What does the evolutionary method mean in the Historical School?
5. What is the role of the state according to the Historical School?
6. How is the historical and inductive method applied in economic analysis?
7. What is meant by supporting conservative reform?
8. What are the methodological features of the German Historical School?
9. What critique did the Historical School direct at classical economic thought?
10. How did the Historical School influence outside Germany?

2.2 True/False Questions

1. The German Historical School emerged in Germany during the 1840s.
2. The school focused solely on relying on abstract economic laws.
3. The pioneers believe the relationship between the individual, society, and the state is reciprocal.
4. The evolutionary method implies economic policies are suitable for all times and places.
5. The historical and inductive method relies on real historical and social data.
6. Supporting conservative reform means advocating for radical revolution and overthrowing the existing system.
7. The interventionist approach sees the state as the primary unit of analysis in economics.
8. The Darwinian approach ignores the historical circumstances of each country.
9. The critique of classical economics involves rejecting the simple notion of the "economic man."
10. The Historical School had an impact that was strictly within Germany and not abroad.

2.3 Multiple Choice Questions

1. 1. What methodology does the German Historical School of economic research apply?
A) Purely deductive. B) Inductive and historical. C) Solely philosophy.

2. Who is a principal member of the establishment of Historical School? A) Adam Smith. B) Friedrich List. C) David Ricardo.
3. What does evolutionary approach stand for? A) Emphasizing the slow evolution of the economy and society . B) Undertaking fixed policies to all countries . C) Disaffirming the role of intervention.
4. How does the Historical School relate the role of the state? A) A paternalistic state fostering economic growth B) A state leaving the individual innocent C) A state prohibiting any economic action
5. What does the inductive method seek to accomplish? A) Only relying on theoretical assumptions B) Analyzing the historical and contemporary data to draw conclusions C) Exclude social factors
6. What does conservative reform mean? A) Radical revolution B) Gradual reform using existing institutions C) Ignoring social demands
7. Which of the following is a methodological feature of the Historical School? A) Darwinian method B) Random method C) Traditional method
8. What critique did the school direct at classical economics? A) Economic laws are universal and eternal B) Rejection of abstract assumptions of classical economists C) Emphasis on individual selfishness only
9. How did the school influence outside Germany? A) In the United States through the emergence of institutional thought B) No influence C) Limited to theoretical critique only
10. What distinguishes historical analysis in the school? A) Ignoring social factors B) Studying the economy within historical and social context C) Focusing solely on the market

2.4. Other Questions

Answer the following questions:

1. Complete the table on the emergence and context of the German Historical School.

Aspect	Description
Period of emergence	
Founders	
Historical, social, and political context	
Main critiques of classical economics	
Role of the state	

2. Complete the table on the fundamental principles of the Historical School

Principle	Description
Evolutionary approach	
Importance of the state	
Historical and inductive method	
Support for conservative reform	

3. Complete the table on prominent thinkers of the German Historical School and their contributions.

Thinker	Contribution
Friedrich List	
Wilhelm Roscher	
Max Weber	
Gustav Schmoller	

4. Complete the table on the methodology of the German Historical School

Method	Description
Darwinian method	
Inductive method	
Interventionist method	
Reformist method	

5. Complete the table on the influence and evaluation of the German Historical School.

Aspect	Description
Influence beyond Germany	
Contribution to institutional thought	
Critique and limitations	

3. Answers

3.1. Answers to Direct Questions

1. The German Historical School emerged in Germany during the 1840s, founded by Friedrich List and Wilhelm Roscher, and lasted until Gustav Schmoller's death in 1917.
2. The main pioneers are Friedrich List, Wilhelm Roscher, Max Weber, and Gustav Schmoller.
3. The primary principles are: the evolutionary method, the significance of the state, the historical and inductive method, and the support of conservative reform.

4. The principle of the evolutionary method refers to following the development of the economy and society through time, taking into account the differences in developments between countries and time periods.
5. The school believes that the state has an important role in the organizing and stimulus of economic growth and productivity, nurturing national industries, producing a balance between individual and social goals.
6. The principle of historical and inductive method is applied through the use of actual historical and social empirical data and looking at social customs and institutions affecting an economic outcome as opposed to the use of theoretical assumptions that are abstracted away from the way in which the economy operates.
7. Support of conservative reform refers to the preferred gradual reform that seeks to enhance the worker's condition while simultaneously not fracturing both social and political stability.
8. Methodological aspects are: the Darwinian method, the inductive, the interventionist, and the reformist methods.
9. The critique includes rejecting universal and eternal economic laws, criticizing abstract assumptions, and rejecting the simplified "economic man" concept.
10. The school's influence outside Germany includes the emergence of a weak historical school in England, the greatest impact in the United States via institutional thought, and continued influence in applied studies combining theory and historical data.

3.2 Answers to True/False Questions

1. True
2. False
3. True
4. False
5. True
6. False
7. True
8. False
9. True
10. False

3.3 Answers to Multiple Choice Questions

1. B) Historical and inductive
2. B) Friedrich List

3. A) Focusing on the gradual change of the economy and society
4. A) A paternalistic state supporting economic growth
5. B) Analyzing historical and contemporary data to reach conclusions
6. B) Gradual reform using existing institutions
7. A) Darwinian method
8. B) Rejection of abstract assumptions of classical economists
9. (A) In the United States through the emergence of institutional thought.
10. (B) Studying the economy within its historical and social context.

3.4. Answers to Other Questions

1.

Aspect	Description
Period of emergence	Early 1840s to 1917 (death of Gustav Schmoller).
Founders	Friedrich List and Wilhelm Roscher; continued by Gustav Schmoller.
Historical, social, and political context	Germany had persistent protectionist policies (mercantilism), strong bureaucracy, and limited spread of classical free trade ideas; industrial development in infancy.
Main critiques of classical economics	Rejected universal economic laws; opposed abstraction and assumption of “economic man”; emphasized historical and social specificity.
Role of the state	Positive, paternal role in promoting industrial growth, economic development, and societal welfare.

2.

Principle	Description
Evolutionary approach	Economy and society develop gradually; policies suitable for one time or country may not fit another; cumulative processes are essential.
Importance of the state	State fosters and organizes economic growth; sponsors industry and transportation; aligns societal and national interests.
Historical and inductive method	Economic study based on empirical observation, historical facts, and institutional analysis; opposed to pure abstraction or marginalist partial induction.
Support for	Reforms should preserve social order; improve workers’ conditions;

conservative reform	prevent revolutionary ideas; maintain loyalty to state.
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3.

Thinker	Contribution
Friedrich List	Critiqued free trade for developing countries; proposed National System; advocated protecting infant industries until competitive; promoted state-led industrialization.
Wilhelm Roscher	Applied historical method to analyze economic facts; combined inductive observation with selective use of classical theory; emphasized historical understanding of economic phenomena.
Max Weber	Linked Protestantism to rise of capitalism; analyzed economic and religious interactions; contributed sociological dimension to historical economic analysis.
Gustav Schmoller	Promoted social legislation; emphasized empirical data collection; advocated state reforms for social justice and equitable income distribution; supported selective protection of emerging industries.

4.

Method	Description
Darwinian method	Economic phenomena understood in historical and spatial context; society evolves through stages like living organism; state policies interpreted historically.
Inductive method	Knowledge based on empirical observation and historical facts; rejected abstract deductive reasoning of classical economics.
Interventionist method	Nation-state is main unit; state actively directs economy in public interest; opposed to individual-centered classical approach.
Reformist method	Emphasized gradual, continuous reform using existing institutions; avoided radical revolution; aimed at social and political stability.

5.

Aspect	Description
Influence beyond Germany	Weak historical school in England; major impact in U.S. through German-educated professors; influence extended to India and other countries.
Contribution to institutional	Inspired U.S. institutional economics; emphasized integration of empirical data with theory; influenced studies on innovation and

thought	entrepreneurship.
Critique and limitations	Nationalism sometimes excessive; methods used to reinforce state and elite interests; reduced role after 1930s in economics departments, though remained influential in history, philosophy, and sociology.

Conclusion

The German Historical School obtained a peculiar amalgamation of historical, ethical, and economic analysis, emphasizing the active role of the state in directing economic activity in the common interest. The German Historical School contributed to the development of analytical and applied methods in economics, criticized abstract assumptions from classical thought, and highlighted how historical and social conditions in each country matter. Its impact included transcending Germany to the United States, as it was through the establishment of the institutional school of thought and applied studies promoting innovation and entrepreneurship such that it yields a good reference for state and institutions' role in economic development.

The twelfth Directed work session: Marginal and Neoclassical Economic Thought

Introduction

In this organized class, a group of students will present research called "Marginal Analysis of Value and Utility in the Work of Menger, Jevons and Walras." The purpose of this Directed work is to deepen students' knowledge of neoclassical economic thought, to include the Austrian School associated with Carl Menger, the British (Cambridge) School associated with William Stanley Jevons and Alfred Marshall, and the French School associated with Léon Walras. Students will investigate important concepts in neoclassical economic thought including marginal utility, partial and general equilibrium, price determination, market failures and imperfections, and welfare economics. Students will also engage in critical thinking about how the work of these three thinkers is relevant to understanding real world markets, reconciling theory with actual market outcomes and the role of the state in correcting market failures.

1. Lecture Summary

This lecture is designed to review neoclassical thinking in economics, by discussing the contributions and schools of thought of prominent economists that contributed to contemporary economics. Central to this discussion is the application of neoclassical thinking that attempts to address value and utility as determined by individuals, and the relationship between the role of the state and market determination of economic equilibrium. In particular, the lecture will study the Austrian School of Thought associated with Carl Menger, the French School associated with Léon Walras, and the British School associated with Alfred Marshall, while also discussing other important schools of thought (Vilfredo Pareto, the Cambridge School), and contemporary discussions on the price system, market power, and social welfare. Ultimately this lecture seeks to help students understand how individuals, society, and markets relate to one another, and how this can be used to help develop useful tools to study the behavior of economic agents and the behavior of these markets.

1.1 Intellectual and Historical Framework

To understand the emergence of the neoclassical school, it is necessary to recognize that it combined classical theory with marginal utility theory, which were contradictory in terms of value determination. Alfred Marshall remarked that the new classicists attempted to bring together both schools of thought to rejuvenate capitalist thought, emphasizing that each perspective is merely a half-truth. After the age of marginal utility analysis, general

equilibrium was widely adopted as the economic theory; in the years that followed, further simplifications attempted to enhance analytical tools for more complicated economic conditions. Although the absence of valuable analytical tools sometimes led to the disconnect between theory and economic reality, this was especially evident with new forms of competition that earlier theorists had not adequately anticipated. Despite classical economists' reliance on the idea of market equilibrium and Adam Smith's "invisible hand," capitalist economies were traditionally understood as free from systemic problems. The new classicists focused on achieving economic equilibrium to confront the fundamental problems of capitalism, including the contradictions between production and consumption, and between the efficiency of capitalist production and cumbersome distribution theories.

1.2. Major Neoclassical Thinkers and Their Contributions

1.2.1 Carl Menger and the Austrian School

To understand the theoretical foundations of marginal utility, we first refer to Carl Menger (1840–1921), founder of the Austrian School and one of the early representatives of European neoclassicism. In 1871, he published *Principles of Economics*, which laid the foundation for analyzing value and utility.

To illustrate the use of marginal utility in the analysis of goods and consumption, Menger made several important points:

- In defining the characteristics of economic goods, Menger recognized a distinction between economic goods, which are limited and contribute to satisfaction of human needs, and non-economic goods, for example, available water and air, which, though useful, have no exchange value.
- In understanding consumer choice, Menger discussed the principle of marginal utility, which exhibits the idea individuals will act to maximize satisfaction subject to limited resources.
- In discussing the realm of production and distribution, Menger introduced the concepts of opportunity cost and marginal productivity of productive factors, which ultimately contributed to neoclassical analysis of prices and distribution later.

1.2.2. Léon Walras and His Contributions

To give an account of the development of general equilibrium theory, it is helpful to consider Léon Walras (1834–1910), one of the leading representatives of the marginalist school and mathematical economics. He devised the general equilibrium model in *Elements of Pure Economics* (1874).

To summarize Walras's contributions with respect to the implications of the theory on price formation and analysis of markets:

- Walras discounted prices and pegged the value of goods to scarcity and marginal utility, arguing that relative prices should reflect the scarcity.
- To show relationships between markets, he showed the link between the goods market and the factors of production market---with entrepreneurial firms, the decisions made by those firms would mirror equilibrium in supply, demand, prices, and costs.
- Key to optimal satisfaction by individuals were the marginal utilities of goods being proportional to the prices.

1.2.3 Alfred Marshall and His Contributions

To illustrate applications of marginal economics to partial and partial-general equilibrium, we focus on Alfred Marshall (1842–1924), a leading figure of the Cambridge School.

To clarify the impact Marshall had on the understanding of value, distribution, and prices, it is useful to summarize his contribution as follows:

- To clarify market nature, Marshall introduced theory of value and distribution which dealt with total and marginal utility, consumer surplus, and the dynamic of price associated with supply and demand.
- To describe temporal equilibrium, he distinguished between and the short-run, which was demand driven and the long-run which was supply driven.

1.2.4. Vilfredo Pareto and His Contributions

To assess market efficiency and economic welfare, we review the contributions of Vilfredo Pareto (1848–1923), an economist and social philosopher, who contributed to general equilibrium theory and welfare economics.

To explain his theoretical innovations in utility and distribution, they are as follows:

- To evaluate consumer behavior, Pareto rejected cardinal utility and introduced ordinal utility, where consumer preferences can be ranked without measuring utility in fixed units.
- To evaluate exchange efficiency, he introduced the concept of Pareto efficiency, such that utility rises while no one is made worse off.
- To study demand, he separated the income effect of price changes from the substitution effect.
- To set forth welfare theory, Pareto's theorems showed that the market equilibrium could be efficient and that redistributing initial endowments could lead to an efficient equilibrium.

1.2.5 The Cambridge School and its Contributions

To illustrate the Cambridge School's contribution to the broader development of neoclassical thought, we will highlight some of its main contributions:

- To apply mathematical logic to economics, Jevons concentrated on marginal utility and emphasized analytical independence from history.
- To demonstrate consumer equilibrium and optimal exchange, Edgeworth created the Edgeworth Box and indifference curves.
- In order to bridge the gap between mathematical analysis and practical realities, Marshall examined supply and demand, market equilibrium and social welfare.

1.2.6 Other Contributions after Marshall

Aside from the developments introduced by Marshall to address imperfect markets, which had implications for competition, price and welfare, the following were also important developments and theories:

- Chamberlin's theory of monopolistic competition, which provided a theoretical framework to explain market power, showed that firms can induce some degree of market power by differentiating their products.
- Joan Robinson provided an investigation of imperfect markets, where markets are positioned between perfect competition and monopoly, as she focused on price discrimination and monopoly policies.
- Stigler explained the concept of price leadership in an oligopolistic market in which price is not determined by the individual firms; rather, price is set by one firm which acts as the dominant firm and its price is followed by the other firms in the oligopoly.
- Pigou offered a further development of welfare economics, he explained how the use of government intervention may be employed to correct market failure to enhance social welfare.

This lecture demonstrated that neoclassical economic thought founded by the contributions of Menger, Walras, Marshall, Pareto, and the Cambridge School which provided a strong baseline to understand prices, value, and market equilibrium. It also established the relevance of the role of the state and markets in achieving efficiency and welfare. The use of neoclassical economic thought continues with subsequent developments after Marshall which helped understand imperfect markets, competition, price leadership, and welfare economics - this reflects the emergence of the practical use of neoclassical economic thought in applied contemporary economics.

2. Questions

2.1 Direct Questions

1. Who are the main founders of the Austrian, Cambridge, and French neoclassical schools?
2. What is the principle of marginal utility according to Menger?
3. How did Walras contribute to general equilibrium theory?
4. What is the difference between total and marginal utility in Marshall's theory?
5. 1. In what ways did Jevons use mathematics in his economic analysis?
6. What does Pareto efficiency mean and how does it relate to welfare economics?
7. How does monopolistic competition impact market outcomes?
8. What are Pigou's most significant contributions to welfare economics?
9. In what way is imperfect competition different than perfect competition?
10. When is government intervention necessary in neoclassical economics?

2.2 True /False Questions

1. The Austrian school is founded by Carl Menger.
2. Menger relies on marginal utility to determine consumption choices.
3. Walras only invented partial equilibrium.
4. Marshall makes the distinction between short-run and long-run equilibrium.
5. Jevons cares more for history than he does the mathematical analysis.
6. Pareto introduced the idea of cardinal utility in his analysis.
7. Monopolistic competition is where products are assumed to be perfectly identical.
8. Pigou argued that the government should never intervene in the market.
9. Imperfect competition studies markets between monopoly and perfect competition.
10. Welfare economics takes a study of efficiency and the role of the state in intervention due to market failure

2.3 Multiple Choice Questions

1. Which school did Carl Menger found? A) French School B) Austrian School C) Cambridge School
2. What is Menger's major contribution? A) General equilibrium theory B) Marginal utility analysis C) Price leadership
3. Who developed the general equilibrium model? A) Marshall B) Walras C) Jevons
4. What concept did Marshall introduce regarding utility? A) Ordinal utility only B) Total and marginal utility C) Pareto efficient
5. Who applied calculus to the marginal utility? A) Jevons B) Walras C) Pigou

6. What does Pareto efficient mean? A) Any ideal distribution B) Distribution increases utility as long as no one is harmed C) Redistribution is always harmful
7. Who was the first to develop monopolistic competition theory? A) Chamberlin B) Robinson C) Tigler
8. Who explained price leadership in an oligopolistic environment? A) Stigler, B) Marshall, C) Menger.
9. Who was responsible for welfare economics and the important role of the state in a market failure? A) Pigou, B) Walras, C) Jevons.
10. What is the theory that looks at markets that are neither perfectly competitive or monopolistic? A) Imperfect competition, B) Theory of marginal utility, C) Theory of general equilibrium.

2.4. Other Questions

Answer the following questions:

1. Complete the table on the schools of neoclassical thought

Aspect	Description
Austrian School	
French School	
British School	

2. Complete the table on key concepts in neoclassical economics

Concept	Description
Marginal utility	
Value and distribution	
General vs. partial equilibrium	
Rational choice	

3. Complete the table on important neoclassical thinkers and their contributions

Thinker	Contribution
Carl Menger	
Léon Walras	
Alfred Marshall	
Vilfredo Pareto	

4. Complete the table on the Cambridge School and welfare economics

Aspect	Description
Contributions of Cambridge School	
Contributions of A.C. Pigou	

5. Complete the table on modern theories of imperfect competition and price policies.

Theory / Thinker	Key Points
Monopolistic Competition – Chamberlin	
Imperfect Competition – Joan Robinson	
Kinked Demand Curve – Paul Sweezy	
Price Policy – Hall & Hitch	
Price Leadership – George Stigler	
Safe Profits – K. W. Rothschild	

3. Answers.

3.1 Answers to Direct Questions.

1. Menger (Austrian School), Jevons and Marshall (Cambridge School), Walras (French School).
2. Marginal utility determines consumption when resource allocation seeks to maximize total satisfaction.
3. Walras develop a theory of general equilibrium to link goods and factors markets.
4. Total utility captures total satisfaction, while marginal utility explains the increase from one more unit of the good.
5. Jevons applied calculus and mathematical analysis to the marginal utility concept.
6. Pareto efficiency occurs when no individual's utility can be improved without harming others
7. Monopolistic competition allows product differentiation and partial market power
8. Pigou supported government intervention to correct market failures and enhance welfare
9. Imperfect competition analyzes markets between monopoly and perfect competition
10. Government intervention is necessary to correct external failures and enhance welfare

3.2 Answers to True/False Questions

1. True
2. True
3. False
4. True
5. False

6. False
7. False
8. False
9. True
10. True

3.3 Answers to Multiple Choice Questions

1. B) Austrian School
2. B) Marginal utility analysis
3. B) Walras
4. B) Total and marginal utility
5. A) Jevons
6. B) Distribution increases utility without harming anyone
7. A) Chamberlin
8. A) Stigler
9. A) Pigou
10. A) Imperfect competition

3.4. Answers to Other Questions

1.

Aspect	Description
Austrian School	Carl Menger; focused on the marginal value of goods and individual consumer behavior analysis.
French School	Léon Walras; focused on general equilibrium across markets using mathematical models.
British School	Alfred Marshall; focused on partial equilibrium, supply and demand, and marginal utility.

2.

Concept	Description
Marginal utility	The value of a good is determined by the marginal utility of the last unit consumed.
Value and distribution	Prices are determined by supply and demand interaction; distribution is based on the marginal productivity of production factors.
General vs. partial	Partial equilibrium: analysis of a single market (Marshall). General

equilibrium	equilibrium: analysis of all markets simultaneously (Walras).
Rational choice	Individuals and firms make decisions to maximize utility or profit within given constraints.

3.

Thinker	Contribution
Carl Menger	Founder of the Austrian School; established foundations of marginal utility, opportunity cost, and maximizing utility.
Léon Walras	Founder of the French School; developed the general equilibrium model linking prices with marginal utility and scarcity.
Alfred Marshall	Founder of the British School; emphasized partial equilibrium, supply and demand analysis, price adjustments, and economic welfare.
Vilfredo Pareto	Introduced ordinal marginal utility, Pareto optimality, and mechanical analysis of economic welfare.

4.

Aspect	Description
Contributions of Cambridge School	Combined mathematical analysis with social reality, determined demand elasticity, price and partial equilibrium analysis, and measurement of social welfare.
Contributions of A.C. Pigou	Founder of modern welfare economics; focused on corrective taxes and subsidies to enhance social welfare and address market failures.

5.

Theory / Thinker	Key Points
Monopolistic Competition – Chamberlin	Focus on product differentiation, price-setting ability, cost analysis, and long-run average cost.
Imperfect Competition – Joan Robinson	Non-perfect markets, price discrimination, equilibrium analysis at $MR=MC$, and the impact of consumer behavior on demand.
Kinked Demand Curve – Paul Sweezy	Kinked demand curve, different demand elasticity for price increases vs. decreases, explains price rigidity in oligopoly.
Price Policy – Hall & Hitch	Prices determined based on full cost plus a fixed profit margin, protecting short-term profits.
Price Leadership –	The leading firm sets the price, others follow to ensure price

George Stigler	stability and reduce risk.
Safe Profits – K. W. Rothschild	Focus on ensuring stable profits in the medium and long term, preventing price wars among firms.

Conclusion

Neoclassical economic thinking made the transition from classical economic principles to the use of marginal analysis to study utility, value, and partial and general equilibrium. Menger, Jevons, Marshall, and Walras led the development of modern economic theory, covering issues such as production, consumption, and the determination of prices, which would lead to later questions of imperfect competition, monopolistic competition price leadership, and welfare economics, highlighting the applied, practical understanding of economic theory, market power, and the role of the state to address the failures of markets. In this way, neoclassical thinking emerged as a central feature of both theoretical and applied economic analysis.

The thirteenth Directed work session: Economic Thought of Keynes

Introduction

This directed work will feature a group of students who will be sharing research deeds on the nature of an inquiry titled, Keynes' Ideas on Unemployment and the Role of the State in Achieving Economic Balance. The purpose of the directed work is to build student knowledge about Keynesian thought. The directed work will specifically examine the role of John Maynard Keynes and the process of re-evaluating classical economic thought as ushered in very recently generations – particularly after the precipitating events ushered with the Great Economic Depression of the 1930s. Students will research other engaged aspects of Keynesianism including aggregative demand, the complexities of employment, involuntary or voluntary unemployment, and the various roles of the state in addressing or responding to and eventually leading out of an economic recession. The directed work will also provide the students with opportunities to engage in critical historical and political econometric facets of Keynes as well as discuss or debate their reflections on the value and effect of Keynesian economic principles in nation or international settings in contemporary and or historic policy climates.

1. Lecture Summary: Keynesian Thought and Its Fundamentals

To understand Keynesian thought, it is first important to provide a historical and scientific background on John Maynard Keynes and the development of his theories, and then move on to the basic principles forming the foundation of the Keynesian school, before considering the main criticisms directed at it.

1.1 Intellectual and Historical Framework

It can be said that Keynesian thought emerged as a reaction to the Great Economic Depression of the 1930s. Capitalist economies suffered from massive unemployment and a decline in industrial production. Keynes rejected the idea of automatic market equilibrium, presenting a new framework that emphasizes the state's role in supporting the economy through fiscal and monetary policies to stimulate aggregate demand and achieve economic stability.

1.2 John Maynard Keynes and His Contributions

To better grasp the extent of the contributions made by Keynes, it will be helpful to look at his professional and intellectual career:

1.2.1 Birth and Academic-Professional

Trajectory Keynes was born in 1883 into an academic family and received an excellent education in economics, mathematics, philosophy, and politics. He studied at the University of Cambridge under Alfred Marshall and got field work experience at the India Office and the British Currency and Finance Committee, which contributed to having theory coalesce with practice.

1.2.2. Contributions of Keynes at the National and International Levels

In the course of his career, Keynes took on numerous vital roles at both national and international levels, which can be summarized as follows:

- World War I: He worked in the British Treasury and contributed to the negotiations of the Peace Conference and warned about the economic consequences of sanctions against Germany.
- 1920s: He criticized traditional monetary policies, resisted the move back to the pre-war gold standard, and cautioned against, and advocated for, state intervention in managing the economy.
- The Great Depression (1929 on): He published *The General Theory of Employment, Interest, and Money* (1936) leads to the establishment of a Keynesian school, which would highlight the necessary role of the state to achieve economic balance.
- World War II and post-war period: He was involved in the economic planning of the British government and played a role in the establishment of the International Monetary Fund and the World Bank for reconstruction and development.

1.3 Core Principles and Theories of Keynesianism

In order to comprehend Keynes' economic philosophy we must examine his key principles:

1.3.1 The Role of the State in the Economy.

Keynes believes that the state is important for stimulating aggregate demand during downturns via public expenditure and investment in infrastructure projects, moving forward production and employment.

1.3.2 Employment Theory

Keynes argues that the economy will not get to full employment without state action, and that involuntary unemployment could continue if demand remains too weak since productivity is not automatically an indicator of employment furnished.

1.3.3 Demand for Money

Keynes divides the motives for holding money into three: transactions (to cover daily expenses), precaution (to face emergencies), and speculation (to benefit from changes in interest rates).

1.3.4 Aggregate Demand

Keynes points out that the level of output and employment is determined by aggregate demand, not supply alone, and that increased government spending boosts aggregate demand and, consequently, employment.

1.3.5 Involuntary Unemployment

Involuntary unemployment results due to insufficient aggregate demand, rather than a lack of willingness to work; this condition can only be fixed through state intervention to increase job opportunities.

1.3.6 Interest Rate Theory

Keynes observes that the interest rate is determined not only by the supply and demand for money, but also by expectations as well as the motives for holding money or cash balances, leading Keynes, to endorse monetary policy as the tool to stimulate investment and the economy.

1.3.7 Economic Cycle

Keynes sees the economy as subject to cycles of boom and contraction, suggesting state intervention will bridge public spending when an economy contracts to endorse greater spending and mitigate the effects of crises.

1.4 Importance of Keynesian Theory For Keynesianism

it offered a tool to help conceptualize the role economic policies involved in responding to crises through increases in aggregate demand in an effort to stabilize markets based on future expectations of economic agents.

1.5 Criticisms of Keynesian Theory

- Regarding economics: Some of Keynes' proposals expanded beyond unemployment to include inflation, increasing concerns of excessive intervention.
- Regarding methods: There were assumptions of only part of the economy's function was being observed, one is marginal propensity to consume is constant.
- There is some unnecessary communication because the elementary aspects of economics analyze behavior beyond concepts, and moreover disregard complex international economic relations.

2. Questions

2.1. Direct Questions

1. Who is the founder of Keynesian theory?
2. What historical conditions led to the emergence of Keynesian thought?
3. What is the role of the state according to Keynes during recessions?
4. What does involuntary unemployment mean in Keynesian theory?
5. What is the difference between effective demand and aggregate demand?
6. What are the three motives for holding money according to Keynes?
7. How is the interest rate determined in Keynesian theory?
8. What is the importance of fiscal and monetary policies in Keynesian thought?
9. What are the main criticisms directed at Keynesianism?
10. How did Keynesianism contribute to shaping modern economic policies?

2.2 True/False Questions

1. Keynesian theory emerged before the Great Economic Depression.
2. Keynes focused on the state's role in achieving economic stability.
3. Involuntary unemployment results from weak aggregate demand.
4. Aggregate demand is the total spending of the private sector only.
5. The interest rate is determined only by the supply and demand for money.
6. Keynes relied on the empirical method in his analysis.
7. Classical economists believed that the market automatically reaches equilibrium.
8. Keynes ignored the importance of government investment during recessions.
9. Future expectations of economic agents are unimportant in Keynesian thought.
10. Keynesianism influenced national and international economic policies.

2.3 Multiple-Choice Questions

1. Who is the originator of Keynesian economics?
 - A) Alfred Marshall
 - B) John Maynard Keynes
 - C) Adam Smith
2. According to Keynes, when the government spends money it aims to:
 - A) facilitate consumption
 - B) create aggregate demand and employment
 - C) increase monetary reserves
3. Involuntary unemployment occurs when:
 - A) aggregate demand is weak
 - B) the individual lacks skills
 - C) the individual is unwilling to work

4. Which of these does not count as a cutting edge reason for holding money?
- A) A transaction motive
 - B) A speculative motive
 - C) A productivity motive
5. How does Keynes see the interest rate?
- A) Completely determined by the supply and demand of money
 - B) Determined by expectations and cash-holding motives
 - C) Fixed even under abnormal conditions
6. What is the main tool for obtaining economic balance?
- A) Free markets without interference
 - B) Fiscal and monetary policies
 - C) Reductions in production
7. What are Keynes' most important contributions during the Great Depression?
- A) Founded the Cambridge school
 - B) Wrote and published the General Theory of Employment, Interest and Money
 - C) Founded the gold standard
8. General faults of criticism for Keynesian thought are:
- A) He doesn't consider inflation
 - B) He pays too much attention to free-market economies
 - C) He doesn't consider international relations and micro analyses
9. What is meant by effective demand? A) Demand for money B) Total spending on goods and services C) Demand for labor only
10. How did Keynesianism contribute to modern economic policies? A) Emphasized the pivotal role of free markets only B) Introduced the concept of government intervention to ensure economic balance C) Ignored the role of government in addressing unemployment

2.4. Other Questions

Answer the following questions:

1. Complete the table on the introduction to Keynes and his theory

Aspect	Description
Founder's Background	
Academic and Professional Journey	
National and International Contributions	

2. Complete the table on the main Keynesian principles and theories

Principle / Concept	Description
Role of the State	
Theory of Employment	
Demand for Money	
Effective Demand	
Involuntary Unemployment	
Theory of the Interest Rate	
Economic Cycle	

3. Complete the table on the importance of Keynesian theory in economic thought.

Aspect	Description
Role of Economic Policies in Crises	
Expansion of Aggregate Demand Role	
Economic Cycle and Future Expectations	

4. Complete the table on the criticisms of Keynesian theory.

Criticism Type	Description
Criticism Regarding Reality	
School-Based Criticism	
Criticism by Keynesian Influenced Economists – Partial	
Criticism by Keynesian Influenced Economists – General	

3. Answers

3.1 Answers to Direct Questions

1. John Maynard Keynes.
2. The Great Economic Depression in the 1930s.
3. Increase aggregate demand through government spending to stimulate production and employment.
4. Unemployment that occurs despite individuals' willingness to work due to weak aggregate demand.
5. Effective demand is the total spending by both private and public sectors on goods and services.
6. Transactions, precaution, speculation.

7. Determined by supply and demand for money, expectations, and the motive for holding cash.
8. To enhance economic stability and stimulate growth and employment.
9. Includes inaccurate assumptions, reliance on marginal propensity to consume, and neglect of some microeconomic and international analyses.
10. Helped shape economic policies based on government intervention to ensure stability and respond to crises.

3.2 Answers to True/False Questions

1. False
2. True
3. True
4. False
5. False
6. True
7. True
8. False
9. False
10. True

3.3 Answers to Multiple-Choice Questions

1. B) John Maynard Keynes
2. B) Stimulate aggregate demand and employment
3. A) Weak aggregate demand
4. C) Productivity motive
5. B) Determined by expectations and cash holding motives
6. B) Fiscal and monetary policies
7. B) Publishing *The General Theory of Employment, Interest, and Money*
8. C) Disregarding global relations and microeconomic perspectives
9. B) Overall expenditures on goods and services
10. B) Brought about the concept of government intervention aimed at supporting economic equilibrium.

3.4 Answers to Other Questions

- 1.

Aspect	Description
Founder's Background	John Maynard Keynes (1883–1946), born in an academic family, showed brilliance in economics, mathematics, philosophy, and politics.
Academic and Professional Journey	Studied at Cambridge under Alfred Marshall; worked at India Office; editor of the Economic Journal; participated in Royal Commission on Indian Currency and Finance.
National and International Contributions	Served in British Treasury during WWI, advised at Peace Conference, opposed rigid monetary policies in the 1920s, published <i>The General Theory of Employment, Interest and Money</i> (1936), influenced Bretton Woods system, advised on post-WWII British economic recovery.

2.

Principle / Concept	Description
Role of the State	Government intervention is necessary during recessions to stimulate aggregate demand via fiscal and monetary policies.
Theory of Employment	Unemployment can persist; full employment requires sufficient aggregate demand; markets alone cannot guarantee employment.
Demand for Money	Individuals hold money for transaction, precautionary, and speculative motives; interest rates and expectations influence speculative demand.
Effective Demand	Total spending by households, firms, and government determines production and employment; weak demand leads to recession.
Involuntary Unemployment	Occurs when people want to work at acceptable wages but cannot due to insufficient demand; requires government intervention.
Theory of the Interest Rate	Interest rates depend not only on money supply and demand but also on expectations and liquidity preference; can be used to stimulate investment.
Economic Cycle	Economy passes through booms and recessions; government spending can mitigate severe downturns.

3.

Aspect	Description
Role of Economic	Demonstrated that automatic market equilibrium may fail during

Policies in Crises	deep recessions; state spending is essential to stabilize economy.
Expansion of Aggregate Demand Role	Emphasized demand shortfall, not supply excess, as the main cause of economic contraction; government spending can compensate weak demand.
Economic Cycle and Future Expectations	Focused on expectations of economic agents; government intervention can smooth economic cycles and prevent prolonged recessions.

4.

Criticism Type	Description
Criticism Regarding Reality	Some argued unemployment was not the only problem; inflation also emerged; fears of excessive state control arose.
School-Based Criticism	Keynes's view of saving as temporary abstention is abstract; full employment linked to government intervention seen as limiting individual freedom; public works sometimes seen as ineffective.
Criticism by Keynesian Influenced Economists – Partial	Marginal propensity to consume varies; savings and liquidity preferences influenced by broader factors; investment decisions depend on expectations, not just interest rates.
Criticism by Keynesian Influenced Economists – General	Pigou rejected wage rigidity assumption; Piro criticized omission of microeconomics, labor unions, overestimation of state efficiency, and closed-economy analysis. Despite critiques, Keynes introduced major qualitative change: rejected automatic market equilibrium and emphasized state's role in economic stability.

Conclusion

At the conclusion of this lecture, it has been conveyed that Keynes's ideas enabled a profound shift in modern economic thinking. The actions by the state to increase aggregate demand and alleviate economic depression and involuntary unemployment were simple necessities. Additionally, Keynesian theory serialized the groundwork for sound fiscal and monetary policies that enabled governments to respond effectively in economic downturns. They effectively showed us that modern economies cannot depend solely on market forces to address stability and growth in a desirable manner.

The fourteenth Directed work session: Contemporary Economic Thought (Post-Keynesian)

Introduction

In this Directed work, a group of students will present a research entitled The Development of Economic Thought after Keynes, The Neo-Keynesian and Monetarist Schools. The session will deepen the students' understanding of contemporary macroeconomic thinking and its evolution after the Keynesian revolution, ideas including the Neo-Keynesian synthesis, Monetarist, New Classical, and New Keynesian schools of thought on fundamental principles, theoretical contributions and the nature of modern economic policy. The session will also allow students to analyze and compare and critique different viewpoints in relation to inflation, unemployment, business cycles, and the role of government intervention.

1. Lecture Summary: Contemporary Economic Thought (Post-Keynesian)

For a proper understanding of modern economic thought, it is essential to look at how macroeconomic theories evolved after Keynes, how new schools of thought arose, and how these schools were influenced by the prominent models and concepts in economics.

1.1 Neo-Keynesianism and Neoclassicalism

The Neo-Keynesian school emerged after Keynes died to rethink and revise Keynes's ideas within a framework that could be used practically. Economists like John Hicks, Paul Samuelson, and Franco Modigliani created models to analyze the interaction between goods and money markets and the effects of fiscal and monetary policies. The Neo-Classical–Neo-Keynesian synthesis integrated Neoclassical ideas of natural equilibrium with Keynesian approaches to underemployment. They ultimately concluded that, while the economy tends to equilibrium, the government can and must intervene to guarantee full employment, thereby integrating theory with realistic policies.

Further contributions would include:

- **IS-LM Model and Modern Extensions:** The IS-LM model, developed by Hicks in 1937, related aggregate demand and employment at one time - later including a market for labor so that Hicks could interpret the effects of fiscal and monetary policies on income and interest rates along with unemployment and inflation.
- **Phillips Curve and Economic Challenges:** The Phillips Curve highlights the relationship between inflation and unemployment, but stagflation in the 1970s demonstrated the Phillips Curve's limitations.

- Post-Keynesian Economics: Studies imbalances, uncertainty, sectoral changes, and emphasizes investment and income distribution. Post-Keynesian economics rejects the automatic market equilibrium of neoclassical economics and achieves a dynamic capitalist (market) methodology by combining neoclassical and Keynesian approaches.

1.2 Cambridge Method and Cash Balances

The Cambridge method, first articulated by Alfred Marshall, analyzes the macroeconomy through a national output and the quantity of money in circulation. The Cambridge method emphasizes the preference for cash and national income as the basis for an understanding of money demand, consumption, investment, and economic growth.

Examples of Cambridge contributions included linking money demand to actual economic (real trade) requirements, interpreting money as a store of value, and approximating some of the traditional elements of Fisher's equation using national income based averages. A few critique the Cambridge thinking by emphasizing that it does not account for speculative motives of holding money, and ignores productivity and growth factors when analyzing monetary and financial infrastructure and ignoring static cash preference.

1.3 Swedish School - Knut Wicksell

The Swedish School engages in marginal productivity analysis with a focus on productive factors that are fully employed. Wicksell brought the "natural rate of interest" to monetary economics to analyze how (interest) rates can affect savings, investment, prices, and output, indicating that deviations between the bank (market) rate and natural rate can cause inflation or deflation.

1.4 Chicago School and Modern Monetary School

Milton Friedman developed the modern monetary school, emphasizing the control of money supply to regulate inflation and economic activity. Key principles include:

- Monetary fluctuations are the primary driver of growth and prices, while fiscal policy is seen as less effective.
- The market has self-correcting mechanisms and inflation is caused by too much money in the economy.
- Supported a limited government role and market solutions.

Monetarist policies emphasize fixed rules for money supply growth, reject fiscal policies to manage inflation or unemployment, and consider monetary policies as more effective.

1.5 New Classical School

With Robert Lucas' leadership in the 1970's, New Classical economics emphasized microeconomic fundamentals, rational expectations, and self-correcting markets. Prices and wages are flexible and monetary or fiscal policies cannot influence output or unemployment by more than a very temporary duration.

1.6 New Keynesian School

New Keynesians have added microeconomic foundations to Keynesian economics, with a focus on market failures, sticky prices, and imperfect competition. Key elements of the New Keynesian School include, within the scope of theory:

- Market failures which prevent full employment
- Sticky prices and wages which enhance the effectiveness of fiscal policies and monetary policy
- Menu costs and bounded rationality which affect price adjustment
- Efficiency wages and self-fulfilling prophecies that affect labor cost and unemployment.

2. Questions

2.1 Direct Questions

1. What was the main objective of the Neo-Keynesian school?
2. Who were the key economists contributing to the IS-LM model?
 1. What does the Neo-Classical–Neo-Keynesian synthesis combine?
 2. What is the Phillips Curve used to illustrate?
 3. How does Post-Keynesian economics differ from classical Keynesianism?
 4. What is the main focus of the Cambridge method?
 5. What concept did Wicksell introduce regarding interest rates?
 6. What is the main argument of the Monetarist school?
 7. How do New Classical economists view market adjustments?
 8. What market imperfections does the New Keynesian school address?

2.2 True/False Questions

1. The IS-LM model was developed to analyze goods and money markets.
2. Neo-Keynesians reject the use of government policies to achieve full employment.
3. The Phillips Curve shows a relationship between inflation and unemployment.
4. Post-Keynesian economics assumes automatic market equilibrium.
5. The Cambridge method considers money only as a medium of exchange.
6. Wicksell emphasized the natural rate of interest.
7. Monetarists prioritize fiscal policy over monetary policy.
8. New Classical economists rely on rational expectations.

9. New Keynesian models assume perfect competition and flexible prices.
10. The New Neoclassical Synthesis merges the New Keynesian and New Classical models.

2.3 Multiple-Choice Questions

1. Who was the creator of the IS-LM Model ?
- A) Paul Samuelson
 - B) John Hicks
 - C) Milton Friedman
2. The Neo-Classical- Neo-Keynesian synthesis links:
- A) Market self - equilibriums without any policy
 - B) Some of the insight of Keynes with the equilibrium idea of the neoclassicals
 - C) Monetarist theories and post-keynesian theories.
3. The Phillips Curve illustrates:
- A) the effects of money supply on prices
 - B) a trade-off between inflation and the employment level
 - C) Natural rate of interest.
4. Cambridge method focused on:
- A) cash preference and National income.
 - B) only transactional motives for money
 - C) Menu costs
5. For Wicksell natural rate of interest is:
- A) Equilibrium of saving and investments
 - B) only wages
 - C) only fiscal policy.
6. Monetarists make the claim:
- A) fiscal policy is the major engine of growth
 - B) Changes in money supply mainly affect prices and output
 - C) Government interference should be minimized
7. New Classical economists assume that:
- A) there are sticky prices and wages
 - B) self-correcting markets and rational expectations
 - C) monetary policy won't work in any situation.
8. New Keynesian ideas benefit from the use of:
- A) Perfect competition

- B) Price and wage rigidities
 - C) Lack of consideration of market failures
9. The New Neoclassical Synthesis emerged in:

- A) 1970s
- B) 1980s and 1990s
- C) 2000s

10. Post-Keynesian economics emphasizes:
- A) Investment, income distribution, and uncertainty
 - B) Automatic market equilibrium
 - C) Only government spending as policy tool

2.4. Other Questions

Answer the following questions:

1. Complete the table on the evolution of contemporary macroeconomic thought.

Aspect	Description
Intellectual context after Keynes	
Emergence of Neo-Keynesianism	
Emergence of Monetarist and New Classical Schools	
Emergence of New Keynesian School	
Objective of New Neoclassical Synthesis	

2. Complete the table on the Neo-Keynesian–Neo-Classical synthesis

Aspect	Description
Core idea of the synthesis	
Main model used	
Role of government policy	
Limitations highlighted by stagflation	

3. Complete the table on Post-Keynesian economics

Aspect	Description
Key emphasis on investment	
View on automatic market equilibrium	
Role of monetary policy	
Income distribution perspective	

4. Complete the table on the Chicago School and Milton Friedman

Aspect	Description
Role of money in economy	
Rejection of Keynesian analysis	
Permanent income theory	
Phillips Curve modification	
Money growth rule	
Friedman Rule (Optimal quantity of money)	

5. Complete the table on the New Keynesian School

Aspect	Description
Market failures	
Sticky wages and prices	
Menu costs	
Bounded rationality	
Efficiency wages	
Failure of coordination	

3. Answers

3.1 Answers to Direct Questions

1. To reinterpret Keynes' ideas within a practical analytical framework.
2. John Hicks, Paul Samuelson, Franco Modigliani.
3. Neoclassical equilibrium ideas and Keynesian insights on underemployment.
4. The trade-off between inflation and unemployment.
5. It emphasizes imbalances, uncertainty, and investment, rejecting automatic market equilibrium.
6. Analyzing macroeconomy using cash preference and national income.
7. The natural rate of interest.
8. Changes in money supply primarily influence prices and output; fiscal policy is limited.
9. They believe markets are self-correcting, relying on rational expectations.
10. Market failures, sticky prices and wages, menu costs, efficiency wages, and bounded rationality.

3.2 Answers to True/False Questions

1. True
2. False
3. True

4. False
5. False
6. True
7. False
8. True
9. False
10. True

3.3 Answers to Multiple Choice Questions

1. B) John Hicks
2. B) Keynesian insights with Neoclassical equilibrium ideas
3. B) The trade-off between inflation and unemployment
4. A) Cash preference and national income
5. A) Balance between savings and investment
6. B) Changes in the money supply predominantly affect prices and output
7. B) Self-correcting markets with rational expectations
8. B) Price and wage stickiness
9. B) The 1980s and 1990s
10. A) Investment, income distribution, and uncertainty

3.4. Answers to Other Questions

1.

Aspect	Description
Intellectual context after Keynes	Macroeconomic thought evolved to integrate Keynesian ideas into analytical frameworks applicable in practice
Emergence of Neo-Keynesianism	Developed models such as the IS-LM to organize Keynes's ideas within general equilibrium
Emergence of Monetarist and New Classical Schools	Emerged in response to stagflation, emphasizing the role of money supply and rational expectations
Emergence of New Keynesian School	Incorporated microeconomic foundations, imperfect competition, and price/wage rigidity
Objective of New Neoclassical Synthesis	Combined real business cycle dynamics with nominal rigidities, accepting short-term monetary policy influence

2.

Aspect	Description
Core idea of the synthesis	Economy tends toward equilibrium but government intervention can ensure full employment
Main model used	IS-LM model
Role of government policy	Stabilizes short-term imbalances and manages aggregate demand
Limitations highlighted by stagflation	Phillips curve could not explain simultaneous high inflation and unemployment

3.

Aspect	Description
Key emphasis on investment	Investment drives long-term capital accumulation and aggregate demand
View on automatic market equilibrium	Rejected, markets do not automatically ensure full employment
Role of monetary policy	Interest rate changes alone are insufficient; fiscal and monetary tools are integrated
Income distribution perspective	Prices and wages affect income distribution, not solely determined by marginal productivity

4.

Aspect	Description
Role of money in economy	Money supply is the primary factor determining output and prices
Rejection of Keynesian analysis	Economy self-regulates; fiscal policy has limited long-term effect
Permanent income theory	People base consumption on expected long-term income, not only current income
Phillips Curve modification	Inflation-unemployment trade-off is temporary; long-run unemployment is natural
Money growth rule	Central bank should increase money supply at a fixed rate aligned with real GDP growth
Friedman Rule (Optimal quantity of money)	Optimal when nominal interest rate is zero, achieving stable purchasing power

5.

Aspect	Description
Market failures	Imperfect competition and wage/price rigidity prevent automatic full employment
Sticky wages and prices	Prices and wages adjust slowly, making policies more effective
Menu costs	Costs of changing prices prevent immediate adjustments in response to economic activity
Bounded rationality	Firms/individuals change behavior only if expected benefit is significant
Efficiency wages	Wages above equilibrium motivate workers, creating unemployment and higher labor cost
Failure of coordination	Interdependence of firms and markets can cause inefficient equilibrium

Conclusion

In summary, the development of economic thought since the time of Keynes showcases the evolution of economic schools and highlights the dynamic relationship between schools. The Neo-Keynesian synthesis and Monetarist schools allow us to think about strategies for addressing macroeconomic dilemmas, while the New Classical and New Keynesian schools render elements of microeconomic foundations and imperfections present in the market. In summary, schools of thought all contributed to institutionalizing modern macroeconomics and highlight the tension policymakers always face: the tension between the market (free enterprise) and government intervention in promoting stability and growth and achieving full employment.

Conclusion of the Directed works

The educational framework offered by these directed works allows students to systematically and cohesively explore the development of economics over time. The sessions examine economic thought throughout history, beginning with ancient civilizations and continuing through contemporary times. As a result of this study, students come to understand the social, political, and cultural environments from which economic theories emerged. In addition to identifying these factors, the sessions also examine the works and contributions of key economic theorists such as Thomas Aquinas; Adam Smith; Karl Marx; John Maynard Keynes; etc. The sessions also demonstrate how various economics have evolved and have applied to different types of economies.

Additionally, using directed works will help develop both the analytical and critical thinking skills of students by enabling them to engage in discussion with peers about their interpretation of original works through group discussions and engaging in an extensive examination of original works; this will assist students with developing their analytical and critical thinking abilities. By connecting concepts, theories, and methodologies related to economics and commerce to the social, historical, political, etc., factors associated with the time the theory was proposed, they are also better able to comprehend how those theories and ideas contributed to the advancement of present-day economic theory. Therefore, the benefits associated with utilizing directed works are not just theoretical in nature; they also contribute to building a foundation of analytical skill development that allows students to build a more in-depth understanding of modern economic systems today and how to use the lessons learned by using these original works in their future careers and professional pursuits.

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