Doctoral Program in Economics

UNIVERSITÀ DEGLI STUDI FIRENZE

UNIVERSITÀ DI SIENA

UNIVERSITÀ DI PISA

Academic year 2021/22

COURSE TITLE: Classical and Keynesian Microeconomics

Period:

First term: from November 2nd , 2021 to December 15 , 2021

Course hours:

10 lectures of 2 hours each. Two modules.

Teachers:

Fabio Petri (14 hours), co-ordinator; Neri Salvadori (6 hours) .

Exam methods:

final written examination plus homeworks during the course

Prerequisites:

elementary microeconomics and macroeconomics; linear algebra and matrices

Module of prof. Salvadori - 3 lectures (6 hours)

Program

- Production with land and labour without capital
- Production with capital and labour without land.
- Capital theory and criticism of Neo-Classical theory of distribution

Educational objectives

The first two lectures provide the minimum analytical material needed to deal with the problem of Capital and the criticism of Neo-Classical theory of distribution.

Bibliographical references

Heinz Kurz and Neri Salvadori. "The classical theory of rent", in Mauro Baranzini, Claudia Rotondi and Roberto Scazzieri (Eds), *Resources, Production and Structural Dynamics*, Cambridge: Cambridge University Press, 2015.

Heinz Kurz and Neri Salvadori. "Production Theory: An Introduction", *Indian Economic Journal*, 2001.

Heinz Kurz and Neri Salvadori. *Theory of Production. A Long-Period Analysis*. Cambridge: Cambridge University Press, 1995. Reprinted in 1997, first paperback edition in 1997. Chapter 14.

Reading list

Heinz Kurz and Neri Salvadori. *Theory of Production. A Long-Period Analysis*. Cambridge: Cambridge University Press, 1995. Reprinted in 1997, first paperback edition in 1997.

Module of prof. Petri - 7 lectures (14 hours)

Program

Notion of long-period prices - Its role in economic explanations - Ricardo and Marx were defective; Sraffa's correction - Walras too has long-period prices - But neoclassical theory is unable to determine them because unable to determine long-period general equilibria: these need a given total endowment of capital which is indeterminable - Cambridge debates: reswitching and reverse capital deepening, implications for investment theory - Problems of modern neo-Walrasian general equilibria - The classical-Keynesian alternative: wage determination - The classical-Keynesian alternative: relevance of variable capacity utilisation which is always far from max; hence plausibility of influence of aggregate demand on output - Application: public debt - Keynes: the Garegnani interpretation - The evolution of macroeconomics after Keynes and intertemporal general equilibrium as a smokescreen - Deficiencies of recent theories of aggregate investment.

Educational objectives

To explain why the modern theory of long-period prices allows understanding that the deficiencies of the classical approach to value and distribution can be remedied, while those of the marginal/neoclassical approach appear insurmountable and are responsible for the recent shift of neoclassical value theory away from long-period prices which causes much confusion and sterility. To show the basic elements of a classical-Keynesian approach: absence of decreasing factor demand curves; income distribution determined by conflict and relative bargaining power; employment and growth determined by aggregate demand; to illustrate in particular the differences on investment theory and on public debt relative to neoclassical theory.

Bibliographical references

P. Garegnani, “Quantity of Capital”, in Eatwell, Milgate, Newman eds. *The New Palgrave: Capital Theory*, 1990; F. Petri, *General Equilibrium Capital and Macroeconomics*, Edward Elgar 2004; F. Petri, *Microeconomics for the Critical Mind*, 2 voll., Springer 2021.

Reading List

F. Petri, “What Capital Theory Can Teach Us”, in Gabellini, Gasperin, Moneta eds., *Economic Crisis and Economic Thought*, Routledge 2019;. M. Kalecki, “Political aspects of full employment”, 1943, several sources; H. D. Kurz, “Accumulation, Effective Demand and Income Distribution”, in Halevy, Laibman, Nell eds. *Beyond the Steady State*, Macmillan 1992; P. Garegnani, “Notes on Consumption, Investment and Effective Demand”, Cambridge J. of Economics 1978, 1979; F. Petri, “Should the theory of endogenous growth be based on Say’s Law and the full employment of resources?”, in N. Salvadori, ed., *The Theory of Economic Growth. A Classical Perspective*, Edward Elgar, 2003; F. Petri, “Neglected Implications of Capital-Labour Substitution for Investment Theory: Another Criticism of Say’s Law”, Review of Political Economy, 2015; Roberto Ciccone, pages on public debt (translated into English by F. Petri).