

Doctoral Program in Economics



Academic year 2024/25

COURSE TITLE: CLASSICAL AND KEYNESIAN MICROECONOMICS

Period:

First term: November/December 2024

Course hours: 20

Teachers:

Fabio Petri (12 hours), responsabile; Neri Salvadori (8 hours)

Exam methods:

homeworks; written final exam

Prerequisites:

basic calculus and matrices

Program (Fabio Petri part)

Picture of economic system: underutilisation of plant capacity - Notion of long-period prices (Smith, Marshall) - 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 – Sraffa's results and Cambridge capital debates: re-switching and reverse capital deepening, implications for investment theory - Problems of modern neo-Walrasian general equilibrium theory - 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 - 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 relative to neoclassical theory.

Bibliographical references

Basic reference texts: 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. F. Petri, "What Capital Theory Can Teach Us", in Gabellini, Gasperin, Moneta eds., *Economic Crisis and Economic Thought*, Routledge 2019. **Other required reading list:** 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.

Program (Neri Salvadori part)

- 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.

Neri Salvadori. *Ricardo's Theory of Growth and Accumulation: A Modern View*, London and New York: Routledge, 2020.