# Doctoral Program in Economics

UNIVERSITÀ DEGLI STUDI FIRENZE | UNIVERSITÀ DI SIENA | UNIVERSITÀ DI PISA

Academic year 2026/27

**CLASSICAL AND KEYNESIAN MICROECONOMICS**

**Period:**

Fist term: 2 Nov – 4 Dec 2026

**Course hours:**

20

**Teachers:**

Fabio Petri (12 hours), responsabile; Guilherme Spinato Morlin (8 hours)

**Exam methods:**

homeworks; written final exam

**Prerequisites:**

basic calculus and matrices; intermediate microeconomics and macroeconomics

## Program (Fabio Petri part)

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: reswitching 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

**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.

**Bibliographical references**

**Basic reference texts:** F. Petri, "What Capital Theory Can Teach Us, Revised", DEPS Working Paper 939, 2026; chapter 1 (inclusive of Online Appendix) of F. Petri, *Microeconomics for the Critical Mind*, 2 voll., Springer 2021; M. Kalecki, "Political aspects of full employment", 1943; H. D. Kurz, "Accumulation, Effective

Demand and Income Distribution", in Halevy, Laibman, Nell eds. *Beyond the Steady State*, Macmillan 1992; chapter 1 of F. Petri, *General Equilibrium Capital and Macroeconomics*, Edward Elgar 2004. **Other strongly suggested readings:** P. Garegnani, "Quantity of Capital", in Eatwell, Milgate, Newman eds. *The New Palgrave: Capital Theory*, 1990. 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 (Guilherme Spinato Morlin part)

The Principle of Effective Demand. Neoclassical Synthesis interpretation. Keynes Effect. Pigou Effect. The role of liquidity preference. The composite character of Keynes' theory . Effective Demand beyond the short run. The political aspects of full employment.

Capacity utilization and adjustments of supply to demand. Theory of Investment. Investment and capital theory. The array of opportunities approach. Profit rate, interest rate, capacity utilization and the determination of investment. The accelerator.

**Educational objectives**

The course provides key foundations for macroeconomic analysis based on the classical and Keynesian approaches, in comparison with the marginalist/neoclassical approach. Building on the microeconomic foundations developed in the first part of the course, the lectures show how these have important implications for macroeconomic analysis and policy that remain relevant to current theoretical and policy debates. By the end of the course, students will be able to explain how the Principle of Effective Demand extends beyond the traditional framework of wage rigidity, compare alternative theories of investment, and critically assess the macroeconomic implications of the classical and Keynesian approaches.

**Mandatory readings:**

**Lectures 1 and 2:**

***Chapter 2 and Chapter 19*** *of Keynes, J. M. (1936). General theory of employment, interest and money.*

*Garegnani, P. (1978). Notes on consumption, investment and effective demand: I. Cambridge journal of Economics, 2(4), 335-353.*

*Garegnani, P. (1979). Notes on consumption, investment and effective demand: II. Cambridge journal of Economics, 3(1), 63-82.*

*Kalecki, M. (1943). Political aspects of full employment. The political quarterly.*

**Lectures 3 and 4:**

***Chapter 7, Section 7.5*** *(The Quantity of Capital: Demand-Side Problems. Demand for 'capital' and Investment (p. 551-557))of Petri, F. (2021). Microeconomics for the critical mind: mainstream and heterodox analyses (Vol. 2). Cham: Springer.*

*Girardi, Daniele. "The neoclassical theory of aggregate investment and its criticisms." Review of Political Economy (2025): 1-26.*

*Girardi, Daniele, and Riccardo Pariboni. "Autonomous demand and the investment share." Review of Keynesian Economics 8, no. 3 (2020): 428-453.*

*Kurz, H. D. (1992). Accumulation, effective demand and income distribution. In Beyond the Steady State: A Revival of Growth Theory (pp. 73-95). London: Palgrave Macmillan UK.*

**Complete References:**

*Best, M. C., Cloyne, J. S., Ilzetzki, E., & Kleven, H. J. (2020). Estimating the elasticity of intertemporal substitution using mortgage notches. Review of Economic Studies, 87(2), 656–690.*

*Fisher, I. (1933). The debt-deflation theory of great depressions. Econometrica, 1(4), 337–357.*

*Friedman, M. (1968). The role of monetary policy. American Economic Review, 58(1), 1–17.*

*Friedman, M. (1970). A theoretical framework for monetary analysis. Journal of Political Economy, 78(2), 193–238.*

*Garegnani, P. (1978). Notes on consumption, investment and effective demand: I. Cambridge Journal of Economics, 2(4), 335–353.*

*Garegnani, P. (1979). Notes on consumption, investment and effective demand: II. Cambridge Journal of Economics, 3(1), 63–82.*

*Girardi, D. (2025). The neoclassical theory of aggregate investment and its criticisms. Review of Political Economy. Advance online publication.*

*Girardi, D., & Pariboni, R. (2020). Autonomous demand and the investment share. Review of Keynesian Economics, 8(3), 428–453.*

*Kalecki, M. (1943). Political aspects of full employment. The Political Quarterly, 14(4), 322–330.*

*Kalecki, M. (1944). Professor Pigou on "The classical stationary state": A comment. The Economic Journal, 54(213), 131–132.*

*Keynes, J. M. (1936). The general theory of employment, interest and money. Macmillan.*

*Krugman, P. (2018, November 15). Why was Trump's tax cut a fizzle? The New York Times. https://www.nytimes.com/2018/11/15/opinion/trump-tax-cut-fizzle.html*

*Kurz, H. D. (1992). Accumulation, effective demand and income distribution. In J. Halevi, D. Laibman, & E. J. Nell (Eds.), Beyond the steady state: A revival of growth theory (pp. 73–95). Palgrave Macmillan.*

*Mattei, C. E. (2022). The capital order: How economists invented austerity and paved the way to fascism. University of Chicago Press.*

*Modigliani, F. (1944). Liquidity preference and the theory of interest and money. Econometrica, 12(1), 45–88.*

*Morlin, G. S., & Pariboni, R. (2024). Demand-led growth under political constraints: A long-run model of conflict inflation. Review of Keynesian Economics, 12(4), 475–498.*

*Patinkin, D. (1987). Real balances. In J. Eatwell, M. Milgate, & P. Newman (Eds.), The New Palgrave: A dictionary of economics (Vol. 4, pp. 98–101). Macmillan.*

*Petri, F. (2015). Neglected implications of neoclassical capital-labour substitution for investment theory: Another criticism of Say's Law. Review of Political Economy, 27(3), 308–340.*

*Petri, F. (2019). What capital theory can teach us. In T. Gabellini, S. Gasperin, & A. Moneta (Eds.), Economic crisis and economic thought: Alternative theoretical perspectives on the economic crisis. Routledge.*

*Petri, F. (2021). Microeconomics for the critical mind: Mainstream and heterodox analyses. Springer.*

*Romer, D. (2000). Keynesian macroeconomics without the LM curve. Journal of Economic Perspectives, 14(2), 149–169.*

*Tobin, J. (1980). Real balance effects reconsidered. In Asset accumulation and economic activity: Reflections on contemporary macroeconomic theory. University of Chicago Press.*

*Woodford, M. (2024). Beyond the natural rate: Stephen Marglin on the instability of market economies. Journal of Economic Literature, 62(1), 294–316.*