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Office Hours: MW 3.15-4.45, or by appointment

1 Course Description

This course will survey contemporary heterodox approaches to economic research, both from a microeconomic and a macroeconomic perspective, with an emphasis on formal modeling. The adjective ‘heterodox’ must be understood broadly. Some of the ideas and models developed in the course will not be strictly speaking ‘heterodox’, even though their implications fall outside ‘mainstream’ economics. One of the main themes of the course will be to understand how do Political Economy ideas can be formalized into mathematical models and how these ideas do apply to current economic issues.

The first, foundational part of the course will cover topics such as: the long period method of Smith, Ricardo and Marx; the labor theory of value and the transformation problem; analytical Marxism; Marx’s analysis of the circuits of capital as the basis for empirical macroeconomic studies of contemporary economies; Marx’s theories of the falling rate of profit and the long-run tendencies of capital accumulation. The objective is to provide solid analytical, other than historical, foundations to the study of these issues.

The second part of the course will instead focus on contemporary micro and macro developments of political economy ideas. Topics will include: growth-distribution/wage-profit duality; power, exploitation and class; labor markets; credit markets and credit rationing; biased technical progress and income distribution; coordination failures and uneven development; evolutionary models based on replicator dynamics; Classical theory of Land, and environmental issues. Theoretical analysis will be supplemented by sound empirical work when available.

2 Texts

Topics will be selected among the following books. The starred items are those from which most of the analytical models studied will be selected. Since most books will not be used entirely, copies of the relevant sections will be made available through RamCT. Also, some of the topics will be analyzed using recent research papers published in refereed journals.

- Basu, Kaushik (1999). *Analytical Development Economics*, MIT Press.
- Bowles, Samuel 2003. *Microeconomics*, Princeton.
- Gintis, Herbert 2000. *Game Theory Evolving*, Princeton.
- Kurz, Heinz, and Neri Salvadori 1995. *Theory of Production*, Cambridge.
- Marx, Karl. *Capital Volumes 1,2,3*. (Penguin)
- Eatwell, John, et al, eds. 1990 *The New Palgrave: Marxian Economics*. Macmillan: London
- Dumenil, Gerard and Dominique Levy. 1994. *Economics of the Profit Rate*. Brookfield, VT: Edward Elgar.
- Foley, Duncan K. 1986. *Understanding Capital*. Cambridge, MA:Harvard.
- Foley, Duncan K. 1986. *Money, Accumulation and Crisis*. New York: Harwood.

- Foley, Duncan K., and Thomas Michl 1999. Growth and Distribution, Harvard.
- Foley, Duncan K. 2003. Unholy Trinity: Labor, capital, and land in the new economy. London and New York: Routledge.
- Foley, Duncan K. 2006. Adam's Fallacy: A Guide to Economic Theology. Cambridge, MA: Harvard University Press.
- Novak, Martin 200?. Evolutionary Dynamics. Belknap Harvard.
- Roemer, John. 1981. Analytical Foundations of Marxian Economic Theory. Cambridge.
- Saint-Paul, Gilles 2009. Innovation and Inequality. How Does Technological Change Affect Workers? Cambridge.

3 Course Assignments

3.1 Exams

- An in-class midterm exam on Monday, March 15 (30% of the grade).
- An in-class final exam, concerning topics pertaining to the final eight weeks of class (30% of the grade).

3.2 Problem Sets

- 4 Problem sets that will be posted on RamCT, and will be due two weeks after (40% of the grade).

3.3 Class Discussion

- This course is a seminar class so students are expected to participate in the discussion in each class.

4 Topics

- Part I: Foundations (Weeks 1 - 8)
 1. Long period method and production theory. Labor theory of value.
 2. Classical general equilibrium analysis. The wage-profit relation. Equalization of profit rates and transformation problem.
 - (a) The traditional (Dual System) interpretation.
 - (b) The 'New Interpretation' (Single System).
 - (c) The empirical approach.
 - (d) The 'Temporal Single System' interpretation.
 3. Classical growth: Von Neumann's growth model. Duality: growth and distribution, wages and profits. The growth-distribution schedule as a test for competing theories of income distribution.
 4. Analytical Marxism. Exploitation and class in Roemer's analysis. Criticisms.
 5. Labor, Wages, and Labor process. The extraction of labor from labor power, structural unemployment. Contrast with neoclassical theory. Analytical role of factor-substitution and wage determination.

6. Technical change and the falling rate of profit. Marx's 'law', Okishio's theorem of 'rising' rate of profit. Empirical regularities and direction of technical progress.
 7. Marx's theory of money. Money and effective demand. Money as a production externality and the possibility of business cycles.
 8. Circuit of Capital. Effective demand, accumulation, and crisis. Liquidity-profit rate cycles. Micro-dynamics of the circuit of capital. (Midterm Exam due).
- Part II: Contemporary Issues (Weeks 9 - 15)

Many of the following topics will easily cover more than a week. Choices will be made according to the instructor's and students' interests.

Invited lectures on additional topics (race, gender and class, international economics, distribution of income and wealth) may be scheduled, depending upon speakers' availability.

1. Directed Technical Progress and functional distribution of income. Biased technical change from neoclassical (technology) and classical (class-conflict) perspectives.
2. Strategic complementarities, coordination failures, and development issues. (Nurske, Murphy-Shleifer-Vishny, Basu, Paternostro).
3. Labor power and labor: efficiency wages and unemployment from a Marxian standpoint. Shapiro and Stiglitz (1984), Bowles (1985). Critiques.
4. Credit Markets and credit rationing. General equilibrium features. Development implications. Galor and Zeira (1993).
5. Evolutionary Dynamics. Predators and preys, hawks and doves, replicators.
6. Goodwin's (1957) growth and distribution model, and modern developments. Role of capacity utilization as a bridge between Post-Keynesian and Marxian theories.
7. Power. Ariel Rubinstein's 'Equilibrium in the Jungle' (2006). Critiques.
8. Classical theory of land use, and environmental issues.

Week 16: Final Exam.