

## Advanced Political Economy (60h – 9CFU)

### First Module

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### Second Module

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### Course learning objectives and skill acquisition

The course aims to deal critically and at an advanced level with central aspects of contemporary economic analysis. It will examine the determinants of income distribution and relative commodity prices, as well as the macroeconomic implications (with particular regard to aggregate product levels and the relationship between savings and investment) of different approaches to distribution theory.

This course consists of two modules.

### Assessment

The course assessment is based on oral tests.

### Course general schedule

#### First Module

#### 1. The notion of Surplus

1.1. The Physiocracy; 1.2. Adam Smith; 1.3. David Ricardo: *Essay on Profits*; 1.4. David Ricardo: *Principles of Political Economy*; 1.5. Marx on the rate of profit; 1.6. Physical real cost and surplus.

#### 2. The capitalist mode of production

2.1. The capitalist system: a stylized representation; 2.2. The capitalist system: an example; 2.3. The capitalist circuit; 2.4. Real wages; 2.5. Natural prices and uniform rate of profit.

#### 3. Sraffa's theory of prices

I. Production for subsistence; II. Production with a surplus; III. Proportions of labour to means of production; IV. The standard commodity; VI. Reduction to dated quantities of labour.

#### 4. The integrated wage-commodity sector and the surplus equation

4.1. Introduction; 4.2. The model; 4.3. The system of price equations; 4.4. The integrated wage-commodity sector (IWCS); 4.5. Profit per unit of labour in the IWCS; 4.6. Capital per unit of labour in the IWCS; 4.7. The “reduction” of commodity prices to “dated quantities of labour”; 4.8. The profit function; 4.9. The surplus equation.

#### 5. The marginalist theory of distribution

- 5.1 The “economic trinity”; 5.2 The household-firm model; 5.3 Market equilibrium; 5.4 Land-labour model; 5.5 Substitutability between factors.
6. Capital as a factor of production
- 6.1 Capital supply and demand; 6.2 Capital in Solow’s model; 6.3 Capital in Swan’s model; 6.4 Wicksell effect; 6.5 Many capital goods; 6.6 Criticism of the neoclassical parable; 6.7 Conclusions.

### *Second Module*

1. The different adjustment process between savings and investment in neoclassical theory and in the Keynesian approach, with the associated implications for the level of aggregate output.
2. The neoclassical theory of investment: derivation of the interest-elastic investment demand function from the demand function for capital as a factor of production. Extensibility to the investment function of the criticism of the neoclassical theory of capital.
3. Critical analysis of attempts to establish the inverse interest-investment relationship on non-neoclassical theoretical bases.
4. Long-run relationships between investment, savings and productive capacity in the context of a theoretical approach alternative to the neoclassical one. Demand, capacity utilisation levels and processes of capacity creation.
5. Private savings and public sector deficits and debt. A theoretical model of the effects of fiscal policy on the ratio of public debt to GDP

### **Teaching material**

#### *First Module*

- Slides of the lessons.
- Teaching material written by the teacher and available online.
- Fratini, S.M. (2020) ‘Incomes from capital in alternative economic theories’, in P. De Muro, S.M. Fratini & A. Naccarato (eds) *Economics, Policy and Law*. Roma: Roma Tre-Press.
- Sraffa, P. (1960) *Production of Commodities by Means of Commodities*. Cambridge University Press: Cambridge. Chapters I-IV and VI.

#### *Second Module*

- Slides of the lessons.

Parts from the following materials will be indicated during the course:

- G. Ackley, *Macroeconomic theory and policy*, Macmillan, 1978.
- J. Robinson, Introduction to the *Theory of Employment*, Palgrave Macmillan, 1969.
- P. Garegnani, ‘Notes on consumption, investment and effective demand’, Cambridge Journal of Economics, 2:4, 1978.
- F. Petri, *General Equilibrium, Capital, and Macroeconomics*, Edward Elgar, 2004
- M. Kalecki, ‘The Principle of Increasing Risk’, *Economica*, 4:16, 1937.
- R. Ciccone, ‘Accumulation and capacity utilization: some critical considerations on Joan

Robinson's theory of distribution", *Political Economy*, 2:1, 1986.

- P. Garegnani, 'Some notes for an analysis of accumulation', in J. Halevi, D. Laibman and E. Nell (eds.), *Beyond the steady state. A revival of growth theory*, Macmillan, 1992.

- R. Ciccone, 'Public debt and aggregate demand. Some unconventional analytics', in E. S. Levrero, A. Palumbo and A. Stirati, *Sraffa and the Reconstruction of Economic Theory*, Palgrave Macmillan, 2013.