

Advanced Political Economy (60h – 9CFU)

Prof. Saverio Maria Fratini

saveriomari.fratini@uniroma3.it

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.

Assessment

The course assessment is based on oral tests.

Course general schedule

Part I - The surplus approach

1. The notion of Surplus

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

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

3.1. Production for subsistence; 3.2. Production with a surplus; 3.3. Proportions of labour to means of production; 3.4. The standard commodity; 3.5. Reduction to dated quantities of labour; 3.6. Land rent; 3.8. Fixed capital.

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.

Part II - The marginalist approach

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 neo-classical parable; 6.7 Conclusions.

Part III – Macroeconomic implications

7. Keynes and the principle of effectual demand

7.1 The principle of effective demand in Keynes's theory; 7.2 The neo-classical synthesis; 7.3 Capital theory and the criticism of the neo-classical synthesis; 7.4 The principle of effective demand in the long run.

8. International trade

8.1 Ricardo's theory of trade; 8.2 Absolute and comparative advantage in a Ricardian model; 8.3 Sraffa's theory of value and international trade.

Teaching material

- 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.
- Garegnani, P. (1978-79) 'Notes on consumption, investment and effective demand', part. I and II, *Cambridge Journal of Economics*, vol. 2, pp. 335-353 and vol. 3, pp. 63-82.
- Sraffa, P. (1960) *Production of Commodities by Means of Commodities*. Cambridge University Press: Cambridge.