

Roma Tre University – PhD in Economics

## **MICROECONOMICS**

Syllabus

### **1st Module**

#### **SURPLUS APPROACH TO VALUE AND DISTRIBUTION**

##### **THE CLASSICAL AND THE NEOCLASSICAL APPROACH**

6 HOURS - PROFESSOR: ROBERTO CICCONE

###### **Topics**

The Analytical Structure of the Classical Theory

The Explanation of the Real Wage and the Notion of Social Surplus

The Determination of Produced Quantities and of the Price System as Two Separate Stages in the Analytical Structure of the Classical Theory

The Analytical Structure of the Neoclassical Theory

Direct and Indirect Substitutability and Demand Curves for Productive Factors

Implications of the Two Different Approaches for the Determination of Activity Levels

###### **References**

Garegnani P. (1984), 'Value and Distribution in the Classical Economists and Marx', *Oxford Economic Papers*, XXXVI, pp. 291-325.

##### **PRODUCTION, THE PRICE SYSTEM AND INCOME DISTRIBUTION THEORIES**

12 HOURS - PROFESSORS: ROBERTO CICCONE & ENRICO SERGIO LEVRERO

###### **Topics**

Basic and Non Basic Goods and the Viability of the Economic System (SL)

The Price System in a Subsistence Economy (SL)

The Price Equations and the Wage-Profit Curve (SL)

The 'Closure' of the Price System in the Classical and in the Neoclassical Theory (SL)

The Standard Commodity (SL)

Choice of techniques (RC)

###### **References**

Dorfman, R., Samuelson, P. A., and Solow, R. M. (1958), *Linear programming and economic analysis*, New York, McGraw-Hill, pp. 210-215, 254-260.

Garegnani P. (1984), 'Value and Distribution in the Classical Economists and Marx', *Oxford Economic Papers*, XXXVI, pp. 291-325.

Garegnani P., 'Professor Samuelson on Sraffa and the Classical Economists', *The European Journal of the History of Economic Thought*, 14, pp. 181-242.

Kurz, H.D., Salvadori, N. (1995), *Theory of Production*, Cambridge University press, chapters 1-2.

Pasinetti, L. (1989), *Lezioni di teoria della produzione*, Il Mulino, chapter 5.

Sraffa, P. (1960), *Produzione di merci a mezzo di merci*, Einaudi, chapters 1-6.

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## 2<sup>nd</sup> Module

### NEOCLASSICAL THEORY: CONSUMPTION, PRODUCTION, EQUILIBRIUM AND INCOME DISTRIBUTION

#### NEOCLASSICAL THEORY CONSUMPTION CHOICES AND PURE EXCHANGE EQUILIBRIUM

32 HOURS - PROFESSORS: DARIA PIGNALOSA & PAOLO TRABUCCHI

##### 1. INTRODUCTION (PT)

###### **Topics**

The Notion of Equilibrium in the Traditional and in the Neo-Walrasian Version of the Neoclassical Theory

###### **References**

Arrow, K. (1968), Economic Equilibrium, in D.L. Sills (ed) *International Encyclopedia of the Social Sciences*, London and New York, Macmillan.

Arrow, K. (1974), General Economic Equilibrium: Purpose, Analytic Techniques, Collective Choice, *The American Economic Review*, 64.

Garegnani, P. (1976), On a Change in the Notion of Equilibrium in Recent Work on Value and Distribution, in M. Brown, K. Sato and P. Zarembka (eds), *Essays in Modern Capital Theory*, North Holland.

##### 2. CONSUMER CHOICE (PT)

###### **Topics**

The Consumption Set

Preferences

Preferences and the Utility Function

Utility Maximization, the Walrasian Demand Correspondence and the Indirect Utility Function

The Dual Problem: Expenditure Minimization, the Hicksian Demand Correspondence and the Expenditure Function

Relationships between (Walrasian and Hicksian) Demand, Indirect Utility and Expenditure Functions

###### **References**

Mas-Colell, A., Whinston, M. D., and Green, J. R. (1995), *Microeconomic Theory*, Oxford University Press, chapters 1 (A-B), 2 (A-B-C-D-E), 3 (A-B-C-D-E-G-appendix A).

### 3. CONSUMER CHOICE UNDER UNCERTAINTY (DP)

#### **Topics**

Simple and compound lotteries; the expected value of a lottery; reduction; representation of lotteries through the Machina triangle; the von Neumann-Morgenstern utility function; the St. Petersburg game; expected utility and indifference curves; risk aversion; the certainty equivalent; the risk premium; risk aversion and indifference curves; the Arrow-Pratt coefficients of absolute and relative risk aversion; Harmonic absolute risk aversion (HARA) preferences: quadratic utility, exponential utility, isoelastic utility; the demand for insurance; preferences over lotteries: consequentialism, rationality, continuity, independence; the expected utility theorem; cardinality; discussion of the expected utility theory: the Dutch books argument, the Allais paradox, Machina's paradox, empirical problems: the value of the risk aversion parameter, the equity premium puzzle, small scale and large-scale choices, gambling; prospect theory.

#### **References**

- Mas-Colell, A., Whinston, M.D., and Green, J.R. (1995), *Microeconomic Theory*, Oxford University Press, chapter 6 (A-B-C).
- Gollier, C. (2001), *The Economics of Risk and Time*, The MIT Press, chapters 1-2.
- Petri, F. (2021), *Microeconomics for the Critical Mind*, Springer, chapter 9.
- Starmer, C. (2000), Developments in non-expected utility theory: The hunt for a descriptive theory of choice under risk, *Journal of Economic Literature*, 38: 332-382.
- Gollier, C. (2001), *The Economics of Risk and Time*, The MIT Press, chapters 1-2.
- Machina, M.J. (2008), Expected Utility Hypothesis, in S.N. Durlauf and L.E. Blume (eds), *The New Palgrave Dictionary of Economics*, Palgrave Macmillan.

### 4. PURE EXCHANGE EQUILIBRIUM (PT)

#### **Topics**

Historical Introduction  
Existence of Pure Exchange Equilibrium  
Uniqueness and Stability

#### **References**

- Mas-Colell, A., Whinston, M. D., and Green, J. R. (1995), *Microeconomic Theory*, Oxford University Press, chapters 15 (A-B), 17(A-B-C-H).
- Rizvi, S.A.T. (1991), Specialization and the existence problem in general equilibrium theory, *Contributions to Political Economy*, 10.

## **NEOCLASSICAL THEORY OF PRODUCTION AND DISTRIBUTION**

16 HOURS - PROFESSOR: SAVERIO M. FRATINI

#### **Topics**

1. Elements of Neo-Walrasian theory of production: Production plans and production sets; Profit maximization; Arrow-Debreu equilibrium with production

2. Production and income distribution: The capitalist mode of production; Factors of production; The household-firm model; Marginalist theory of distribution in the land-labour model

3. Theory of Capital: Demand for capital in Solow's model; Demand for capital in Swan's model; Wicksell effect; Many capital goods and marginal productivity; The average period of production; The surrogate production function; Re-switching

### **References**

Debreu, G. (1959) *Theory of Value*, John Wiley and Son.

Fratini, S.M. (2019) 'On the second stage of the Cambridge capital controversy', *Journal of Economic Surveys*, 33(4), 1073-1093. Doi: 10.1111/joes.12312.

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. ISBN: 9791280060525.

Garegnani, P. (1970) 'Heterogeneous Capital, the Production Function and the Theory of Distribution', *The Review of Economic Studies*, XXXVII, 407–36.

Garegnani, P. (1990) 'Quantity of Capital', in J. Eatwell, M. Milgate and P. Newman (eds): *Capital Theory*. London: Macmillan.

Mas-Colell, A., Whinston, M. D., and Green, J. R. (1995), *Microeconomic Theory*, Oxford University Press, capp. 5 (A-B-C-E-Appendix A), 17 (B-F).

Samuelson, P.A. (1962) 'Parable and Realism in Capital Theory: The Surrogate Production Function', *The Review of Economic Studies*, 29(3), 193-206.

Samuelson, P.A. (1966) 'A summing-up', *The Quarterly Journal of Economics*, 80 (4), 568-83.

Swan, T.W. (1956) 'Economic Growth and Capital Accumulation', *The Economic Record*, XXXII, 334–61.

Wicksell, K. ([1901] 1967) *Lectures on Political Economy*, vol. I, Augustus M. Kelley Publishers.