

Daniele Tavani, C325 Clark
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Office Hours: MW 3.30-5, or by appointment
Class meets MW 2-3.15, Plant Science W9.

1 Course Description

This course will survey contemporary heterodox approaches to economic research, both from a microeconomic and a macroeconomic perspective, treated from a general, critical, and rigorously mathematical standpoint. The adjective ‘heterodox’ must be understood broadly. Some of the ideas and models developed in the course will not be strictly speaking ‘heterodox’ from a methodological standpoint, even though their implications fall outside those of ‘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. Emphasis will be put on developing analytical and modeling skills that will enable the interested student to contribute originally to these research fields, either theoretically or empirically.

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; analysis of the circuits of capital; Classical theories of the long-run tendencies of capital accumulation, growth and distribution. 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 ideas tracing their roots in the political economy of classical economists. Topics will include: self- and other-regarding preferences, altruism, and cooperation; the emergence of economic institutions; bargaining; coordination failures and uneven development; evolutionary game theory and evolutionary dynamics; information problems in labor markets, credit markets and their general equilibrium implications; bias of technical change and income distribution; current comparative political economy, models of collective choice.

2 Texts

Topics will be selected among the following books. For some of the most recent topics, notes and/or articles will be distributed through RamCT.

Acemoglu, Daron, and James Robinson 2006. *The Economic Origins of Dictatorship and Democracy*. Cambridge.

Basu, Kaushik 1999. *Analytical Development Economics*, MIT Press.

Bowles, Samuel 2003. *Microeconomics*, Princeton.

Dumenil, Gerard and Dominique Levy. 1994. *Economics of the Profit Rate*. Brookfield, VT: Edward Elgar.

Eatwell, John, et al, eds. 1990 *The New Palgrave: Marxian Economics*. Macmillan: London

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.

Gintis, Herbert 2009a. *Game Theory Evolving*, Second Edition. Princeton.

Gintis, Herbert 2009b. *The Bounds of Reason*. Princeton.

Kurz, Heinz, and Neri Salvadori 1995. *Theory of Production*, Cambridge.

Morishima, Michio. *Marx's Economics*. Cambridge.

Novak, Martin 2007. *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 Required Work

3.1 Exams

A take-home midterm exam, due Monday, March 15th, 2010, at the beginning of class (30% of the grade). An in-class final exam, concerning topics pertaining to the final eight weeks of class (30% of the grade). According to the University Calendar, the final exam will take place Wednesday, May 12th, 2010, 1:30-3:30 pm.

3.2 Problem Sets

4 Problem sets that will be posted on RamCT and due by the specified due date (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. Class participation is useful because it raises the level of the discussion, other than inspiring research ideas.

4 Topics

- Part I: Foundations (Weeks 1 - 8)

1. Long period method and production theory. One sector model: consumption and growth, wages and profits. Income shares. Choice of technique and production functions. The labor market. Classifying Technical Change. Biased Technical Change and competing views of income distribution.
2. Classical general equilibrium analysis. No Joint Production: The wage-profit relation. Labor theory of value. Equalization of profit rates and transformation problem. Duality: growth and distribution, wages and profits. Joint Production. Leontief's input-output models. Linear Programming.
3. Exploitation and class. Wage determination and wage inequality.

4. 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. Heterogeneous labor and wage inequality.
 5. Classical growth: Von Neumann's growth model. Separation theorems, turnpikes.
 6. Technical change and the rate of profit. Direction of technical progress. Early models of biased technical change and income distribution.
 7. 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.

1. Social Interactions and Institutional Design. Preferences and behavior.
2. Self- and other-regarding preferences. Altruism and cooperation in groups. Inequality aversion.
3. Coordination Failures. Bargaining.
4. Self-organization of economic life. An introduction to evolutionary game theory and evolutionary dynamics. Predators and preys, hawks and doves, replicators.
5. Labor power and labor: efficiency wages and unemployment from a Marxian and a neoclassical standpoint.
6. Credit Markets and credit rationing. General equilibrium features. Development implications.
7. Directed Technical Progress and functional distribution of income. Biased technical change from neoclassical (technology) and classical (class-conflict) perspectives.
8. Classical Models of land and environmental issues.
9. (As time permits) The Evolution of Property Rights. Models of Dictatorship and Democracy.