

ECO 5116

POST-KEYNESIAN THEORY: VALUE AND PRODUCTION

Syllabus

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OBJECTIVES

The course is divided in two sections. The first section is devoted to a presentation of the Sraffian theory of prices. It turns out to be a critique of the neoclassical theory of value based on scarcity and supply and demand analysis. This is particularly so of the aggregate version of neoclassical analysis, the one to be found in macroeconomics. The Sraffian theory of prices and its critique will be presented within a two-sector model with fixed coefficients. Stationary models and growth models will be considered. Lessons will be drawn for capital theory, labour demand theory, international trade theory, the measure of technical progress.

The objective of the second section is to go beyond the stationary or semi-stationary state. Within the Sraffian model, the problem of moving from one equilibrium state to another will be studied —the so-called traverse problem. The Sraffian model, with prices determined from the cost side, will then be extended to Keynesian concerns, such as unemployed resources, in particular excess capacity. Simplified pricing models, such as cost-plus models, will then be linked to Keynesian demand issues, with investment functions and problems of effective demand.

There are no textbooks for this course. Students will provide themselves with a set of readings, to be found at the University photocopy centre, located on the basement floor of the Morrisset Library.

COURSE OUTLINE

SECTION 1: THE SRAFFIAN MODEL AND ITS CRITIQUE OF NEOCLASSICAL LAWS

For this first section, students may find useful the following books:

- . D.J. Harris, *Capital accumulation and income distribution*, Stanford University Press, 1978.
- . M. Lavoie, *Macroéconomie: théorie et controverses post-keynésiennes*, Dunod.
- . G.C. Harcourt, *Some Cambridge controversies in the theory of capital*, CUP, 1972.
- Kurz and Salavadori, *Theory of Production*, CUP, 199

1.01 General introduction

J. King, "Post-Keynesian political economy: history", in P.A. O'Hara (ed.), *Encyclopedia of Political Economy*, 1999, vol. 2, pp. 881-883.

A. Roncaglia, "Sraffa, Piero (1898-1983)", in P.A. O'Hara (ed.), *Encyclopedia of Political Economy*, 1999, vol. 2, pp. 1085-1088.

C. Gehrke and C. Lager, "Sraffian political economy", in P.A. O'Hara (ed.), *Encyclopedia of Political Economy*, 1999, vol. 2, pp. 1090-1095.

M. Lavoie, "Sraffian and post-Keynesian linkages", in P.A. O'Hara (ed.), *Encyclopedia of Political Economy*, 1999, vol. 2, pp. 1095-1098.

1.1. The neoclassical parables

Donald J. Harris, "A postmortem on the neoclassical parable", in E.J. Nell (ed.), *Growth, profits and property: Essays in the revival of political economy*, Cambridge, Cambridge University Press, pp. 43-51.

1.2. Prices of production in the stationary state

Scott Moss, "The end of orthodox capital theory", in E.J. Nell (ed.), *Growth, profits and property: Essays in the revival of political economy*, Cambridge, Cambridge University Press, pp. 64-72.

J. Robinson, *The Accumulation of Capital*, Macmillan, 1956, ch. 10.

1.3 Prices of production in a growing economy

Scott Moss, *op. cit.*, pp. 73-76.

Harold Hagemann, "A Kaldorian saving function in a two-sectoral linear model", in E.J. Nell and W. Semmler (eds.), *Nicholas Kaldor and Mainstream Economics*, Macmillan, 1991, 449-468.

1.4 Direct, indirect and hyper-indirect labour, and the Marxist viewpoint

L.L. Pasinetti, *Lessons in the theory of production*, 1977, ch. 5 and ch 7 (sections 1 and 2).

M. Lavoie, «Pasinetti's vertically hyper-integrated sectors and natural prices», *Cambridge Journal of Economics*, 21(4), July 1997, 453-467 (mainly (453-457)).

Cockshott and Cottrell, «Labour time versus alternative value bases: a research note», *Cambridge Journal of Economics*, 21(4), July 1997, 545-549.

1.5. Consequences for international trade theory

Lynn Mainwaring, *Value and distribution in capitalist economies*, C.U.P., 1984, ch. 9

1.6. Consequences for the measure of technical progress

B. Naslund and B. Sellstedt, *Neo-Ricardian Theory*, Berlin: Springer-Verlag, 1978, p. 125-138.

J.Robinson, *op.cit.*, 1956, ch. 11.

T.K.Rymes, *On Concepts of Capital and Technical Change*, Cambridge University Press, 1971, ch. 3 and 5.

A. Shaikh, "Humbug production function", J. Eatwell, M. Milgate et Peter Newman (eds), *The New Palgrave - Capital Theory*, Macmillan, paperback edition, 1990, pp. 191-194.

J.S.L. McCombie and R. Dixon, "Estimating technical change in aggregate production functions", *International Review of Applied Economics*, vol. 5, No 1, pp. 24-46.

SECTION 2: BEYOND THE SEMI-STATIONARY STATE AT NORMAL CAPACITY

2.1. Quantity traverse in the Sraffian model

John Hicks, *Capital and Growth*, Oxford University Press, chap. 16 (9pp. 183-197).

J. Henry and M. Lavoie, "The Hicksian traverse as a process of re-proportioning: some structural dynamics", *Structural Change and Economic Dynamics*, 1997, vol. 8, no 2, pp. 157-175.

2.2. Convergence (or gravitation) towards prices of production

Gérard Duménil et Dominique Lévy, *The Economics of the Profit Rate*, Edward Elgar, 1994, ch. 6 (including annex).

A.K. Dutt, "Convergence and Equilibrium in two-sector models of growth, distribution and prices", *Zeitschrift für Nationalökonomie*, 1988, no. 2, p. 135-148.

L. Boggio, "Production prices and dynamic stability: results and open questions", *The Manchester School*, 60(3), September 1992, 264-294.

J.A. Clifton, "Administered prices in the context of capitalist development", *Contributions to Political Economy*, vol. 2, 1983, pp. 23-38.

2.3 Models with endogenous rates of capacity utilization

E.J. Amadeo, "Notes on capacity utilisation, distribution and accumulation", *Contributions to Political Economy*, 1986, 83-94.

M. Lavoie, "The Kaleckian model of growth and distribution and its neo-Ricardian and neo-Marxian critiques", *Cambridge Journal of Economics*, December 1995.

V. Chick and M. Caserta, "Provisional equilibrium and macroeconomic theory", in P. Arestis, G. Palma and M. Sawyer (eds), *Markets, Unemployment and Economic Policy*, Routledge, London, 1996, 223-237.

H.D. Kurz, "Growth and distribution", *Review of Political Economy*, October 1994.

Olivier Bruno, "Long-run positions and short-run dynamics in a classical growth model", *Metroeconomica*, February 1999, 119-137.

2.4 Traverse in two-sector Kaleckian models

J. Robinson, 1956, *op. cit.*, ch. 8.

F. Vianello, "The pace of accumulation", *Political Economy: Studies in the Surplus Approach*, 1985, pp.69-87.

A.K. Dutt, "Convergence and Equilibrium in two-sector models of growth, distribution and prices", *Zeitschrift für Nationalökonomie*, 1988, no. 2, p. 146-158.

M. Lavoie and P. Ramirez-Gaston, "Traverse in a two-sector Kaleckian model of growth with target-return pricing", *Manchester School of Economic and Social Studies*, March 1997.

2.5 Traverse towards a normal rate of utilization

G. Duménil et D. Lévy, "Being Keynesian in the short term and classical in the long term: The traverse to classical long-term equilibrium", *The Manchester School*, 67 (6) December 1999, 684-716.

M. Lavoie, "Traverse, hysteresis, and normal rates of capacity utilization in Kaleckian models of growth and distribution", *Review of Radical Political Economics*, December 1996, pp. 113-147.

A.K. Dutt, "Equilibrium, path dependence and hysteresis in post-Keynesian models", in P. Arestis, G. Palma and M. Sawyer (eds), *Markets, Unemployment and Economic Policy*, Routledge, London, 1996, 238-239 and 245-248 only.

2.6 Interest rates and growth models

M. Lavoie, "Interest rates in Post-Keynesian models of growth and distribution", *Metroeconomica*, June 1995, 146-177.

the recent CJE Park paper; the JPKE 2001-2002 Park paper;

Franke, *Metroeconomica*, February 2000

Panico, *Contributions to Political Economy*, 1985