

# MICROECONOMIC THEORY

70 HOURS

## I UNIT

### 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.

## II UNIT

### NEOCLASSICAL THEORY

#### CONSUMPTION CHOICES AND PURE EXCHANGE EQUILIBRIUM

34 HOURS — PROFESSORS: DARIA PIGNALOSA AND PAOLO TRABUCCHI

#### 1. INTRODUCTION (PT)

#### *Topics*

The Notion of Equilibrium in the Traditional and in the Neowalrasian 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 and the Indirect Utility Functions

The Dual Problem: Expenditure Minimization, the Hicksian Demand and the Expenditure Functions

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

Aggregate Demand

(Appendix: the main utility functions found in the literature) (DP)

### **References**

Mas-Colell, A., Whinston, M. D., and Green, J. R. (1995), *Microeconomic Theory*, Oxford University Press, chapters 1, 2 (without 2F), 3 A-B-C-D-E-(appendix A), 4A-B.

Newman, P. (1965), *The Theory of Exchange*, Prentice-Hall, chapters 1-3.

## 4. CONSUMPTION AND SAVING DECISIONS (DP)

### **Topics**

Expected Utility Theory

Intertemporal Choice

Preference parameters

### **References**

Attanasio, O.P. and Weber, G. (2010), Consumption and Saving: Models of

Intertemporal Allocation and Their Implications for Public Policy, *Journal of Economic Literature*, 48(3), 693–751.

Gollier, C. (2001), *The Economics of Risk and Time*, The MIT Press.

Jappelli, T., Pistaferri, L. (2017), *The Economics of Consumption: Theory and Evidence*, Oxford University Press.

Mas-Colell, A., Whinston, M.D., and Green, J.R. (1995), *Microeconomic Theory*, Oxford University Press, chapter 6 A-B, 20 A-B.

#### 4. PURE EXCHANGE EQUILIBRIUM (PT)

##### **Topics**

Historical Introduction

Existence of Pure Exchange Equilibrium

Uniqueness and Stability

##### **References**

Dorfman, R., Samuelson, P. A., and Solow, R. M. (1958), *Linear programming and economic analysis*, McGraw-Hill, chapter 13.

Mas-Colell, A., Whinston, M. D., and Green, J. R. (1995), *Microeconomic Theory*, Oxford University Press, chapters 15A-B, 17A-B-C-D-H.

Rizvi, S. A. T. (1991), Specialization and the existence problem in general equilibrium theory, *Contributions to Political Economy*, 10.

Newman, P. (1965), *The Theory of Exchange*, Prentice-Hall, chapter 4.

### III UNIT

#### NEOCLASSICAL THEORY

#### PRODUCTION AND CAPITAL

18 HOURS — PROFESSOR: SAVERIO M. FRATINI

##### **Topics**

Introduction: Capital, Capital Goods and ‘Aggregate’ Capital.

Marginal Productivity and the Explanation of Income Distribution in an Economy without Capital

The Case of a Single Commodity, Employed both for Consumption and as a Capital Good (Solow). The Case of Two Commodities, One Employed for Consumption and the Other as a Capital Good (Swan).

The Wicksell Effect.

The Problem of Capital Aggregation: the Average Period of Production, Value and the Production Function

Samuelson's Attempt: Capital as 'Jelly' and the 'Surrogate Production Function'

Re-switching and the Critique of the 'Surrogate Production Function'

The Real Wicksell Effect, the Price Wicksell Effect and the Shape of the Value Demand Curve for Capital

Re-switching and the Instability of the Savings-Investment Equilibrium

### **References**

Fratini, S.M. (2007) 'Reswitching of Techniques in an Intertemporal Equilibrium Model with Overlapping Generations', *Contributions to Political Economy*, 26, 43-59.

Fratini, S.M. (2010) 'Reswitching and Decreasing Demand for Capital', *Metroeconomica*, LXI(4), 676-82.

Fratini, S.M. (2012) *Capitale e Rendita*. Roma: Aracne.

Fratini, S.M. (2013) 'Real Wicksell effect, demand for capital and stability', *Metroeconomica*, LXIV(2), 346-360.

Fratini, S.M. (2013) 'Malinvaud on Wicksell's Legacy to Capital Theory: Some Critical Remarks', in E.S. Levrero, A. Palumbo & A. Stirati (eds) *Sraffa and the Reconstruction of Economic Theory*, vol. I, Palgrave-Macmillan.

Fratini, S.M. (2015) 'A Note on Reswitching and Intertemporal Prices', *Review of Political Economy*, forthcoming.

Garegnani, P. (1960) *Il Capitale nelle Teorie della Distribuzione*, Giuffrè.

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

Garegnani, P. (1984) 'On some illusory instances of «marginal products»', *Metroeconomica*, XXXVI(2-3), 143-60.

Malinvaud, E. (1953) 'Capital Accumulation and Efficient Allocation of Resources', *Econometrica*, 21(2), 233-268.

Marx, K. (1974) *Il Capitale*, vol. I., Editori Riuniti.

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

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).

#### IV UNIT

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

12 HOURS — PROFESSORS: ROBERTO CICCONE E 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, capp. 1 e 3.

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

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

The assessment will consist of a **written exam** for units I – III and an **oral exam** for unit IV.