

COLLOQUIUM IN ADVANCED
MICROECONOMICS
(ECON 5602)
Fall 2011

Professor F. S. Lee
Office: Manheim Hall Room 202D
Office Hours: MW 2.00-3.00pm
or by appt.
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Lectures: Wednesday, 7.00 – 9.45, Haag Hall-Room 212

Main Texts: M. Lavoie, L.-P. Rochon, M. Seccareccia, *Money and Macrodynamics*
N. Fligstein, *The Architecture of Markets*.
T. Lawson, *Reorienting Economics*.
F. Lee (ed.), *Social, Methods, and Microeconomics: Contributions to Doing Economics Better*

Supplemental Texts:

P. Downward, *Applied Economics and the Critical Realist Critique*.
E. Fullbrook, *Ontology and Economics: Tony Lawson and His Critics*
R. P. F. Holt and S. Pressman, *Empirical Post Keynesian Economics*
S. Fabiani et. al., *Pricing Decisions in the Euro Area*
F. Lee, *The Simple Mathematics of Linear Production Models*.

Problems: Problem sets will be distributed.

Assessment: A set essay of 4,000 words typed. It is due on September 21, 2011. It is worth 25% of your grade.
A set essay of 5,000 words, typed. It is due on October 26, 2011. It is worth 25% of your grade.
A set essay of 5,000 words, typed. It is due on November 30, 2011. It is worth 25% of your grade.
Final exam worth 25% of your final grade – the exam is on Wednesday December 14, 2011, from 8.00 – 10.00pm

Announcement: No classes on September 5 and November 21 - 25.

Course Description: The course covers heterodox microeconomic theory. It introduces the student to the historical background and methodology of the theory and then deals with the business enterprise, production and costs, pricing and prices, industry and market, reproduction of the business enterprise, consumer, industrial and government demand, market price and market governance, trade associations, price leadership, government regulation, and the microfoundations of heterodox macroeconomics. The course will also introduce the student to the heterodox disaggregated price-output model of the economy.

LECTURE AND READING OUTLINE

“Well, in *our* country, “ said Alice, still panting a little, “you’d generally get somewhere else—if you ran very fast for a long time....” “A slow sort of country!” said the Queen. “Now *here*, you see, it takes all the running *you* can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!”

Through the Looking-Glass

I. The Making of Heterodox Microeconomics

A. Heterodox Economics

1. Lee, F. 2011. “The Making of Heterodox Microeconomics.” <http://mpira.ub.uni-muechen.de/30907/>.
2. Lee, F. and Jo, Tae-Hee. 2010. “Social Surplus Approach and Heterodox Economics.” <http://mpira.ub.uni-muenchen.de/27636>.
3. Lee, F. S. 2011. *Social, Methods, and Microeconomics: Contributions to Doing Economics Better*. Wiley-Blackwell, chs. 1, 2, 8.
4. Fullbrook, *Ontology and Economics: Tony Lawson and His Critics*, ch. 5-6.
5. Bortis, H. 1997. *Institutions, Behaviour and Economic Theory: A Contribution to Classical-Keynesian Political Economy*. Cambridge: Cambridge University Press, chs. 1, 2, and 5.
6. Polanyi, K. 1968. “The Economy as Instituted Process.” In *Primitive, Archaic and Modern Economies: Essays of Karl Polanyi*, pp. 139 – 174. Edited by G. Dalton. Garden City: Doubleday and Co.
7. Dugger, W. M. (1996) ‘Redefining Economics: from market allocation to social provisioning’, in C. Whalen (ed.) *Political Economy for the 21st Century: contemporary views on the trends of economics*, 31–43, Armonk: M. E. Sharpe, Inc.
8. Power, M. 2004. “Social Provisioning as a Starting Point for Feminist Economics.” *Feminist Economics* 10.3 (November): 3 – 19.
9. Stevenson, R. E. 1987. “Institutional Economics and the Theory of Production.” *Journal of Economic Issues* 21.4: 1471-1493.

B. Methodology of Heterodox Economics

1. Lee, F. 2011. “The Making of Heterodox Microeconomics.” <http://mpira.ub.uni-muechen.de/30907/>.
2. Lawson, T. 2003. *Reorienting Economics*. London: Routledge, chs. 1-4, 6,10.
3. Downward, *Applied Economics and the Critical Realist Critique*, chs. 1-10.
4. Lee, F. S. 2011. *Social, Methods, and Microeconomics: Contributions to Doing Economics Better*. Wiley-Blackwell, chs. 6, 10.
5. Fullbrook, *Ontology and Economics: Tony Lawson and His Critics*, ch. 1-4, 7-8, 11-12, 19-20.

6. Downward, P. and Mearman, A. 2007. "Retrodution as Mixed-Methods Triangulation in Economic Research: Reorienting Economics into Social Science." *Cambridge Journal of Economics* 31.1 (January): 77 – 99.
7. Downward, P. and Mearman, A. 2002. "Critical Realism and Econometrics: Constructive Dialogue with Post Keynesian Economics." *Metroeconomica* 53.4: 391 – 415.
8. Finch, J. H. 2002. "The Role of Grounded Theory in Developing Economic Theory." *Journal of Economic Methodology* 9.2: 213 – 234.
9. Modell, S. 2009. "In Defense of Triangulation: A Critical Realist Approach to Mixed Methods Research in Management Accounting." *Management Accounting Research* 20: 208-221.
10. Cojanu, V. 2008. "Theorising Uneven Development: The Epistemic Value of History and Complexity in the Study of Economic Evolutions." *Trames* 12.4: 450-69.
11. Spiethoff, A. 1952. "The 'Historical' Character of Economic Theories." *The Journal of Economic History* 12.2 (Spring): 131 – 139.

II. Structure, Agency, and Modeling the Economy

1. Jo, Tae-Hee. 2011. "Social Provisioning Process and Socio-Economic Modeling." <http://mpa.ub.uni-muenchen.de/28969>.
2. "Social Provisioning, Embeddedness, and Modeling the Economy".
3. Kurz, H. D. and Salvadori, N. 2005. "Representing the Production and Circulation of Commodities in Material Terms: On Sraffa's Objectivism." *Review of Political Economy* 17.3 (July): 69 – 97.
4. Kurz, H. D. and Salvadori, N. 2000. "Classical Roots of Input-Output Analysis: A Short Account of its Long Prehistory." *Economic Systems Research* 12.2: 153 – 179.
5. Kurz, H. D. 2011. 'Who is Going to Kiss Thorn Rose? On the 'classical' analytical origins and perspectives of input-output analysis.' *Review of Political Economy* 23 (1): 25-47.
6. De Gregori, T. R. 1987. "Resources are Not; They Become: An Institutional Theory." *Journal of Economic Issues* 21.3 (September): 1241 – 1263.
7. McCormick, K. (2002) 'Veblen and the New Growth Theory: Community as the Source of Capital's Productivity', *Review of Social Economy*, 60(2): 263–77.
8. Lee, F. S. 2011. *Social, Methods, and Microeconomics: Contributions to Doing Economics Better*. Wiley-Blackwell, chs. 3, 5.
9. O,Boyle, E. J. 2011. "The Acting Person: Social Capital and Sustainable Development." *Forum for Social Economics* 40(1): 79-98.
10. Pluta, J. E. 2010. "Evolutionary Alternatives to Equilibrium Economics: Some Suggested Applications." *American Journal of Economics and Sociology*, 69.4: 1155-1177.

US input-output tables can be found at <http://www.bea.gov>.

III. The Structure and Agency of the Business Enterprise

A. Nature of the Business Enterprise

1. Moss, S. 1981. *An Economic Theory of Business Strategy*. New York: John Wiley and Sons, ch. 2.
2. Herman, E. S. 1981. *Corporate Control, Corporate Power*. Cambridge: Cambridge University Press, chs. 1, 2.
3. Fligstein, N. 1990. *The Transformation of Corporate Control*. Cambridge: Harvard University Press.

B. Structure of Production and Costs of the Business Enterprise

1. Lee, F. and Jo, Tae-Hee. 2010. "Heterodox Production and Cost Theory of the Business Enterprise." [Http://mpra.ub.uni-muenchen.de/27635](http://mpra.ub.uni-muenchen.de/27635).
2. Lee, F. 1986. "Post Keynesian View of Average Direct Costs: A Critical Evaluation of the Theory and the Empirical Evidence." *Journal of Post Keynesian Economics* 8.3 (Spring): 400 - 424.
3. Dean, J. 1976. *Statistical Cost Estimation*. Bloomington: Indiana University Press, "Introduction to Part I".

C. Structure and Agency: Costing, Pricing, and Prices

1. Downward, *Applied Economics and the Critical Realist Critique*, ch. 14.
2. Downward, P. 1999. *Pricing Theory in Post Keynesian Economics: A Realist Approach*, Cheltenham: Edward Elgar, chs. 3-8.
3. Hall, S, Walsh, M., and Yates, A. 2000. "Are UK Companies' Prices Sticky?" *Oxford Economic Papers* 52.3 (July): 425 – 446.
5. Downward, P. 2000. "A Realist Appraisal of Post Keynesian Pricing Theory." *Cambridge Journal of Economics* 24.2 (March): 211 – 224.
6. Fabiani, S. et. al. 2007. *Pricing Decisions in the Euro Area: How Firms set Prices and Why*. Oxford: Oxford University Press, parts I and II.
7. Lavoie, M. 2001. "Pricing." In R. P. F. Holt and S. Pressman (eds.) *A New Guide to Post Keynesian Economics*, 21-31. London: Routledge.
8. Fillieule, R. 2010. "The New Economic Sociology of Prices: An Analysis Inspired by the Austrian School of Economics." *American Journal of Economics and Sociology*, 69.2: 668-6932

D. Structure and Agency: Investment, Employment, and Production

1. Moss, S. 1981. *An Economic Theory of Business Strategy*. New York: John Wiley and Sons, chs. 3, 8.
2. Bewley, T. F. 1999. *Why Wages Don't Fall During a Recession*. Cambridge: Harvard University Press.
3. Baddeley, M. C. 2003. *Investment: Theories and Analysis*. Houndsmills: Palgrave.
4. Scheibl, F. and Wood, A. 2005. "Investment Sequencing in the Brick

Industry: An Application of Grounded Theory.” *Cambridge Journal of Economics* 29.2 (March): 223 – 247.

5. Holt, R. P. F. And Pressman, S. 2007. *Empirical Post Keynesian Economics*, chs. 6-9.
6. Lavoie, M., Rochon, L.-P., and Seccareccia, M. 2010. *Money and Macrodynamics*, chs. 3, 4

IV. The Market and the Business Enterprise

A. Industry and Market

1. Fligstein, N. 1996. "Markets as Politics: A Political-Cultural Approach to Market Institutions," *American Sociological Review* 61 (August): 656 - 673.
2. Granovetter, M. 1985. "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91 (November): 481 - 510.
3. Smelser, N. J. and Swedberg, R. (eds.) 1994. *The Handbook of Economic Sociology*. Princeton: Princeton University Press, chs. 11 and 15.
4. Fligstein, *The Architecture of Markets*, chs. 1, 2, 3, and 4.
5. Hermann, A. 2008. "The Institutional Analysis of the Market." *International Journal of Green Economics* 2.4: 379-391.

B. Structure of Market Demand: Consumer, Industrial, and Government

1. Fuller, C. G. 1996. "Elements of a Post Keynesian Alternative to 'Household Production'". *Journal of Post Keynesian Economics* 18 (Summer): 595 - 607.
2. Lavoie, M. 1994. "A Post Keynesian Approach to Consumer Choice." *Journal of Post Keynesian Economics* 16 (Summer): 539 - 562.
3. Lavoie, M. 1992. *Foundations of Post-Keynesian Economic Analysis*. Aldershot: Edward Elgar, ch. 2
4. Devetag, M. G. 1999. "From Utilities to Mental Models: A Critical Survey on Decision Rules and Cognition in Consumer Choice." *Industrial and Corporate Change* 8.2: 289 – 351.

C. Structure of Market Demand, the Business Enterprise, and the Market Price

V. Competition, the Market Price, and Market Governance

A. Competition, the Market Price, and Market Governance

1. Richardson, G. B. 1965. "The Theory of Restrictive Trade Practices," *Oxford Economic Papers* 17 (November): 432 - 449.
2. Moss, S. 1981. *An Economic Theory of Business Strategy*. New York: John Wiley and Sons, ch. 5, 6, 7, and 8.
3. Clifton, J. A. 1987. "Competitive Market Process." In *The New Palgrave* Vol. I A to D, pp. 553 - 556. Edited by J. Eatwell, M. Milgate, and P. Newman. New York: Stockton Press.

4. Grabher, G. (ed.) 1993. *The Embedded Firm*. London: Routledge, chs. 1 - 2.
 5. Campbell, J., Hollingsworth, J., and Lindberg, L. (eds.) 1991. *Governance of the American Economy*. Cambridge: Cambridge University Press, chs. 1, 2, 11, 12.
- B. Private Market Governance and the Market Price: Trade Associations and Price Leadership
1. Howe, M. 1972-73. "A Study of Trade Association Price Fixing." *Journal of Industrial Economics* 21: 236 - 256.
 2. Smelser, N. J. and Swedberg, R. (eds.) 1994. *The Handbook of Economic Sociology*. Princeton: Princeton University Press, ch. 18.
- C. Public Market Governance and the Market Price: Laws and Government Regulation
- VI. Microeconomics and the Social Provisioning Process
- A. Disaggregated Price-Output Model of the Economy
1. Lee, F. S. 2011. "Heterodox Surplus Approach: Production, Prices and Value Theory." [Http://mpira.ub.uni-muenchen.de/31824/](http://mpira.ub.uni-muenchen.de/31824/).
 2. Lee, F. S. 1996. "Pricing, the Pricing Model and Post-Keynesian Price Theory." *Review of Political Economy* 8 (January): 87 - 99.
 3. Miller, R. E. and Blair, P. D. 2009. *Input-Output Analysis: Foundations and Extensions*. 2nd edition. Cambridge: Cambridge University Press, chs. 1-2,4-5,11.
 4. Bortis, H. 1997. *Institutions, Behaviour and Economic Theory: A Contribution to Classical-Keynesian Political Economy*. Cambridge: Cambridge University Press, ch. 4.
 5. Bortis, H. 2003. "Keynes and the Classics: Notes on the Monetary Theory of Production." In *Modern Theories of Money*, 411 – 474. Edited by L.-P. Rochon and S. Rossi. Cheltenham: Edward Elgar.
 6. Lavoie, M., Rochon, L.-P., and Seccareccia, M. 2010. *Money and Macrodynamics*, chs. 1, 2
- B. Mark Ups, Investment, and Economic Activity
1. Lee, F. 2011. "Old Controversy Revisited: Pricing, Market Structure, and Competition." [Http://mpira.ub.uni-muenchen.de/30490/](http://mpira.ub.uni-muenchen.de/30490/).
 2. Lee, F. 2011. "Heterodox Microeconomics and the Foundation of Heterodox Macroeconomics." [Http://mpira.ub.uni-muenchen.de/30491](http://mpira.ub.uni-muenchen.de/30491/).
 3. Lavoie, M., Rochon, L.-P., and Seccareccia, M. 2010. *Money and Macrodynamics*, chs. 3, 4.
 4. Shapiro, N. 1988. "Market Structure and Economic Growth: Steindl's Contribution." *Social Concept* 4.2 (June): 72 - 83.

VII. Private-Public Planning, the Price Mechanism, and Markets

1. Bortis, H. 1997. *Institutions, Behaviour and Economic Theory: A Contribution to Classical-Keynesian Political Economy*. Cambridge: Cambridge University Press, chs. 6 and 7.
2. Wisman, J. D. and Capehart, K. W. 2010. "Creative Destruction, Economic Insecurity, Stress, and Epidemic Obesity." *American Journal of Economics and Sociology*, 69.3: 936-982.