

COLLOQUIUM IN ADVANCED  
MICROECONOMICS  
(ECON 5602)  
Fall 2012

Professor F. S. Lee  
Office: Manheim Hall Room 202D  
Office Hours: MW 10.00-11.00am  
or by appt.  
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Lectures: Wednesday, 7.00 – 9.45, Royall Hall 212

Main Texts: M. Lavoie, L.-P. Rochon, M. Seccareccia, *Money and Macrodynamics*  
N. Fligstein, *The Architecture of Markets*.  
S. Fabiani et. al., *Pricing Decisions in the Euro Area*  
F. Lee (ed.), *Social, Methods, and Microeconomics: Contributions to Doing Economics Better*  
F. Lee (ed.), *Social Provisioning, Embeddedness, and Modeling the Economy*

Supplemental Texts:

R. P. F. Holt and S. Pressman, *Empirical Post Keynesian Economics*  
H. Bortis, *Institutions, Behaviour and Economic Theory*

Problems: Problem sets will be distributed.

Assessment: A set essay of 4,000 words typed. It is due on September 19, 2012. It is worth 25% of your grade.  
A set essay of 5,000 words, typed. It is due on October 24, 2012. It is worth 25% of your grade.  
A set essay of 5,000 words, typed. It is due on November 28, 2012. It is worth 25% of your grade.  
Final exam worth 25% of your final grade – the exam is on Wednesday December 12, 2012, from 8.00 – 10.00pm

Announcement: No class on December 5, 2012—to be schedule for another day.

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.

"This link will direct you to essential information regarding university policies, rules, and resources <http://cas.umkc.edu/student-resources.asp> "

## 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. and Jo, Tae-Hee. 2011. “Social Surplus Approach and Heterodox Economics.” *Journal of Economic Issues*, 45.4: 857-75.
2. Lee, F. S. 2011. *Social, Methods, and Microeconomics: Contributions to Doing Economics Better*. Wiley-Blackwell, chs. 1, 2, 8.
3. Fullbrook, *Ontology and Economics: Tony Lawson and His Critics*, ch. 5-6.
4. Bortis, H. 1997. *Institutions, Behaviour and Economic Theory: A Contribution to Classical-Keynesian Political Economy*. Cambridge: Cambridge University Press, chs. 1, 2, and 5.
5. 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.
6. Dugger, W. M. (1996) ‘Redefining Economics: from market allocation to social provisioning’, in C. Whalen (ed.) *Political Economy for the 21<sup>st</sup> Century: contemporary views on the trends of economics*, 31–43, Armonk: M. E. Sharpe, Inc.
7. Power, M. 2004. “Social Provisioning as a Starting Point for Feminist Economics.” *Feminist Economics* 10.3 (November): 3 – 19.
8. Stevenson, R. E. 1987. “Institutional Economics and the Theory of Production.” *Journal of Economic Issues* 21.4: 1471-1493.
9. Dobb, M. 1945. *Political Economy and Capitalism: Some essays in economic tradition*, New York: International Publishers, ch. 1.

#### B. Methodology of Heterodox Economics

1. Lawson, T. 2003. *Reorienting Economics*. London: Routledge, chs. 1-4, 6,10.
2. Downward, *Applied Economics and the Critical Realist Critique*, chs. 1-10.
3. Lee, F. S. 2011. *Social, Methods, and Microeconomics: Contributions to Doing Economics Better*. Wiley-Blackwell, chs. 6, 10.

4. Fullbrook, *Ontology and Economics: Tony Lawson and His Critics*, ch. 1-4, 7-8, 11-12, 19-20.
5. Downward, P. and Mearman, A. 2007. "Retroduction as Mixed-Methods Triangulation in Economic Research: Reorienting Economics into Social Science." *Cambridge Journal of Economics* 31.1: 77 – 99.
6. Cojanu, V. 2008. "Theorising Uneven Development: The Epistemic Value of History and Complexity in the Study of Economic Evolutions." *Trames* 12.4: 450-69.
7. Spiethoff, A. 1952. "The 'Historical' Character of Economic Theories." *The Journal of Economic History* 12.2: 131 – 139.
8. Olsen, W. and Morgan, J. 2005. 'A Critical Epistemology of Analytical Statistics: Addressing the Sceptical Realist," *Journal for the Theory of Social Behaviour*, 35.3: 255-84.
9. Emirbayer, M. and Mische, A. 1998. "What is Agency?" *American Journal of Sociology*, 103.4: 962-1023.

## II. Structure, Agency, and Modeling the Economy

1. Lee, *Social Provisioning, Embeddedness, and Modeling the Economy*, chs. 1, 5, 6, 8.
2. Lee, F. S. 2011. *Social, Methods, and Microeconomics: Contributions to Doing Economics Better*. Wiley-Blackwell, chs. 3, 5.
3. De Gregori, T. R. 1987. "Resources are Not; They Become: An Institutional Theory." *Journal of Economic Issues* 21.3 (September): 1241 – 1263.
4. 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.
5. O'Boyle, E. J. 2011. "The Acting Person: Social Capital and Sustainable Development." *Forum for Social Economics* 40(1): 79-98.
6. Pluta, J. E. 2010. "Evolutionary Alternatives to Equilibrium Economics: Some Suggested Applications." *American Journal of Economics and Sociology*, 69.4: 1155-1177.
7. Herman, E. S. 1981. *Corporate Control, Corporate Power*. Cambridge: Cambridge University Press, chs. 1, 2.
8. Todorova, Z. 2009. *Money and Households in a Capitalist Economy: A Gendered Post Keynesian-Institutional Analysis*. Cheltenham: Edward Elgar, chs. 2, 3.

## III. The Business Enterprise: Production, Costs, and Pricing

### A. Decision-Making and the Acting Enterprise

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

## B. Structure of Production and Costs

1. 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.
2. Dean, J. 1976. *Statistical Cost Estimation*. Bloomington: Indiana University Press, "Introduction to Part I".
3. Scranton, P. 1991. "Diversity in Diversity: Flexible Production and American Industrialization, 1880-1930." *Business History Review* 64.1: 27-90.
4. Abruzzi, A. 1965. "The Production Process: Operating Characteristics." *Management Science* 11.6, Series B: B98-B118.
5. Scazzieri, R. 1983. "The Production Process: General Characteristics and Taxonomy." *Rivista Internazionale di Scienze Economiche e Commerciali* 30.7: 597-611.
6. Scazzieri, R. 1993. *A Theory of Production: Tasks, Processes, and Technical Practices*. Oxford: Clarendon Press.
7. Morroni, M. 1992. *Production Process and Technical Change*. Cambridge: Cambridge University Press, parts I and II.
8. Mir-Artigues, P. and Gonzalez-Calvet, J. 2007. *Funds, Flows, and Time: An Alternative Approach to the Microeconomic Analysis of Productive Activities*. Berlin: Springer.

## C. 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.
4. Downward, P. 2000. "A Realist Appraisal of Post Keynesian Pricing Theory." *Cambridge Journal of Economics* 24.2 (March): 211 – 224.
5. 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.
6. Lavoie, M. 2001. "Pricing." In R. P. F. Holt and S. Pressman (eds.) *A New Guide to Post Keynesian Economics*, 21-31. London: Routledge.
7. 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: 668-693.
8. Gu, G. C. 2012. "Pricing, Price Stability, and Post Keynesian Price Theory." Dissertation. University of Missouri-Kansas City, chs. 2-3.

## IV. The Business Enterprise: Investment, Output, and Employment

### A. Investment

1. Lavoie, M., Rochon, L.-P., and Seccareccia, M. 2010. *Money and Macrodynamics*, chs. 3, 4
2. Moss, S. 1981. *An Economic Theory of Business Strategy*. New York: John Wiley and Sons, chs. 3, 8.
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.

#### B. Production and Employment

1. Spencer, D. A. 2011. "Work is a Four-Letter Word: The Economics of Work in Historical and Critical Perspective," *American Journal of Economics and Sociology* 70.3: 563-86.

#### C. Wages, Salaries, and Dividends

1. Bewley, T. F. 1999. *Why Wages Don't Fall During a Recession*. Cambridge: Harvard University Press.

### V. Markets and Demand for the Social Product

#### A. Market, Industry, and the Social Provisioning Process

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.
6. Chester, L. 2013. "Understanding the Socio-Economics Impact of Actually Existing Markets: An Analytical Framework for Empirical Research," *American Journal of Economics and Sociology* 73.2.
7. Fernandez-Huerga, E. 2013. "The Market Concept: A Characterization from Institutional and Post Keynesian Economics," *American Journal of Economics and Sociology* 73.2.

#### B. Demand for the Social Product

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 and the Market Price
- D. Competition, Market Power, and the Going Market Price
- VI. Competition, the Market Price, and Market Governance
- A. Market Governance: Controlling Instability Through Regulating Markets
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.
  6. Redmond, W. 2013. "Three Modes of Competition in the Marketplace," *American Journal of Economics Sociology* 73.2.
  7. Jo, T.-H. 2013. "Saving Private Business Enterprise: A Heterodox Microeconomic Approach to Market Governance and Market Regulation," *American Journal of Economics and Sociology* 73.2.
- B. Private Market Governance and the Market Price: Trade Associations, Price Leadership, and other forms of Private Collective Activities
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.
  3. Burr, T. C. 2013. "Consumer Market Cycles: Bicycles, Riders, Industries and Environments in France and the United States, 1865-1914," *American Journal of Economics and Sociology* 73.2.

C. Public Market Governance and the Market Price: Laws and Government Regulation

VII. Microeconomics and the Social Provisioning Process

A. Microeconomics and Modeling the Going Economy

1. Lee, F. S. 2011. "Heterodox Surplus Approach: Production, Prices and Value Theory." [Http://mpa.ub.uni-muenchen.de/31824/](http://mpa.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*. 2<sup>nd</sup> 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. Model of the Going Economy and the Social Provisioning Process

1. Lee, F. 2011. "Old Controversy Revisited: Pricing, Market Structure, and Competition." [Http://mpa.ub.uni-muenchen.de/30490/](http://mpa.ub.uni-muenchen.de/30490/).
2. Lee, F. 2011. "Heterodox Microeconomics and the Foundation of Heterodox Macroeconomics." [Http://mpa.ub.uni-muenchen.de/30491](http://mpa.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.
5. Jo, T.-H. 2007. "Microfoundations of Effective Demand." Dissertation. University of Missouri-Kansas City, chs. 2-6.
6. Todorova, Z. 2009. *Money and Households in a Capitalist Economy: A Gendered Post Keynesian-Institutional Analysis*. Cheltenham: Edward Elgar, chs. 4,5,6.

VIII. Social Provisioning and Corporate Capitalism

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.