



HELLENIC REPUBLIC
**National and Kapodistrian
University of Athens**
DEPARTMENT OF ECONOMICS

**The Revival of Political Economy:
From the Cambridge Capital Controversies to the Present
Honouring the lifetime contributions of Geoff Harcourt and Luigi Pasinetti**

13 October 2023

Great Ceremony Hall,
National & Kapodistrian University of Athens
30 Panepistimiou Str., Athens, Greece

Organizer
MPhil (Economics) Programme, Department of Economics, NKUA
with the collaboration of the **Greek Association of Political Economy (EEPO)**

With the Financial Support of the **Bank of Greece**

Book of Titles and Abstracts

Harald Hagemann

University of Hohenheim

Technical change, real capital formation and the structural dynamics of employment

Abstract

Ricardo's machinery problem has attracted many of the leading modern economists, including John Hicks, Paul Samuelson, and Luigi Pasinetti. The contribution deals with some key theoretical issues in the debate. It focuses on the two main analytical perspectives of structural economic dynamics: the stages or vertical approach and the sectoral or horizontal model. Key elements of Pasinetti's contribution are compared with the investigations of Hicks and Adolph Lowe on Ricardo's machinery problem.

Heinz D. Kurz

University of Graz

The problem of capital in alternative theories of value and distribution

Abstract

The problem of capital has arguably been one of the most controversial themes in political economy since its systematic inception at the time of the classical economists. The roots of the controversy can, however, be traced back to antiquity and especially Aristotle's criticism of interest taking and, later and more generally, pure property income. In this paper I shall provide a brief history of some of the debates that took place. The focus of attention will, however, be the classical surplus approach to the theory of value and distribution, on the one hand, and the marginalist scarcity approach, on the other. In this context it will be shown why Piero Sraffa was of the opinion that the marginalist theory could not be sustained, because it was based on an untenable concept of capital.

Maria Cristina Marcuzzo

Sapienza, Università di Roma and Accademia Nazionale dei Lincei

Geoff Harcourt and Luigi Pasinetti: the twin defenders of the Cambridge tradition in economics.

Abstract

Geoff Harcourt and Luigi Pasinetti were both engaged in expounding, propagating, and defending the Cambridge tradition in economics, of which they were part also as friends and colleagues of the main protagonists, such as Austin and Joan Robinson, Richard F. Kahn, Piero Sraffa, Nicholas Kaldor and Richard Goodwin to name just a few. The Cambridge tradition to economics derived from Marshall and Keynes and it was enriched by the work of those who were their followers or, in the case of Sraffa, was pursuing a parallel route to provide an alternative to neoclassical economics.

Harcourt's and Pasinetti's involvement in Cambridge economics took various forms- writing, lecturing, mentoring- besides that of encouraging younger scholars in their research activities and helping them in their academic career.

In this presentation I will focus on their written accounts of the main features of the "Cambridge approach" and on some thoughts they gave to the reasons of its downfall. They both agree that this was due to the failure to secure important academic positions in Cambridge to people who could continue and transmit the inherited tradition.

They both agree that while intellectual diversity and personal and political difference ruled within the group, the Cambridge protagonists share a common vision of economics as having social purpose and came to mistrust neoclassical economics as logically and ideologically vitiated.

Neri Salvadori

University of Pisa

Standing on the shoulders of giants

Abstract

The content is an analysis of the paper “Switches of Techniques and the ‘Rate of Return’ in Capital Theory” that Pasinetti published in 1969 in the *Economic Journal* and that Geoff Harcourt discussed in his famous book of 1972. This presentation explores what we learned from that paper and what we consider misleading today. This will bring us to an evaluation of the whole debate.

Roberto Scazzieri

University of Bologna and Accademia Nazionale dei Lincei

Luigi Pasinetti as Classical Economist: An Intellectual Journey

Abstract

The aim of this paper is to call attention to Luigi Pasinetti’s contribution to the reconstruction and development of classical political economy. The distinction between internal and external history of science may provide a guide into Pasinetti’s manifold contributions to economic analysis. Pasinetti’s work is deeply embedded in the intellectual history and debates within the economics profession in the latter half of the 20th century and the early decades of the 21st century. At the same time, his research shows unswerving, and almost single-handed, commitment to the disentangling of the different components of classical economic theory in view of its reconstruction as a systematic yet open-ended body of analytical tools. Geoff Harcourt described Pasinetti as ‘the last of the great system-builders of our trade’ (Harcourt, 2006). In fact, Pasinetti’s lifework led to a theoretical architecture that is almost unique in the history of our discipline for its deeply non-reductionist character and, at the same time, its ambition to assign structure to complexity by means of a subtle interplay of different levels of analysis. This paper outlines a reconstruction of Pasinetti’s intellectual journey within classical economic theory and highlights that intellectual journey as a type of ‘exploratory heuristic’ into classical analysis. In this light, Pasinetti’s work as system-builder can be seen as providing the foundations to a new classical political economy in which the separation between levels of investigation provides the ground to the mutual adjustment between fundamental structures and the variety of institutions, policies, and contexts.

Ivano Cardinale

Goldsmiths, University of London

On Pasinetti's natural vs institutional analysis: a starting point for revisiting the political economy of the Classics.

Abstract

Pasinetti's theory of structural economic dynamics draws a fundamental distinction between natural and institutional analysis. The former aims to unveil the dynamic path of an industrial economy that maintains full employment and utilization of productive capacity in the face of structural change. The latter studies the concrete institutional arrangements that may or may not allow a given economy to approximate that path.

Pasinetti's approach thus defines the conditions that a growing industrial economy must meet to pursue collective objectives, but it remains open-ended as to whether and how those objectives can be achieved. The paper argues that such emphasis on the conditions imposed by the materiality and organisation of an economy, together with the open-endedness of institutions and – crucially – of the actions involved, opens a way to revisit the political economy of the Classics.

The paper starts by reinterpreting Pasinetti's demonstration that the same production structure can be represented in different ways (industrial interdependencies vs vertically integrated sectors) as a negative result: structure in itself cannot determine what social groups will be the relevant ones in a given situation (and what objectives they will pursue) out of those which are possible within that structure. Hence, instead of assuming relevant political-economic aggregations *ex ante* (such as classes or industries), it suggests exploring what possible ways of aggregating social groups a given structure makes possible. It goes on to show that how social groups themselves represent the system and their position therein is a non-reducible factor to explain which dynamic path the economy follows out of those that a given structure makes possible.

Nikolaos Chatzarakis

New School for Social Research

Growth or Cycles: Pasinetti's Question and Answer

Abstract

Following the publication of Keynes' *General Theory*, a number of models was proposed to deal with two fundamental macroeconomic phenomena: economic growth and business cycles. Both phenomena were originally treated using the multiplier-accelerator mechanism – a treatment which is still alive within many of the modern Keynesian and post-Keynesian works. However, this resulted in a dichotomy. On the one hand, economic growth and business cycles are conceptualised and theorised within a common framework; on the other hand, they are detached from each other, addressed as separate economic phenomena. However, Kalecki (1954) addressed the issue claiming that the detachment is a theoretical illusion, largely based on the statistical illusion of separating the trend and the fluctuations of a time-series. In a paper from 1960, the late Luigi Pasinetti also addressed this issue, starting however from the common theoretical framework. His conclusion was that in order to work on one of the two phenomena (say, the cycle), one must first assume the other (growth) as given; hence, Pasinetti concludes, a single theory cannot explain both phenomena at the same time and he pointed to a new (multi-sectoral) formulation of the problem. Yet, in his later works (Pasinetti 1981; Pasinetti 1993) where multi-sectoral models of value and growth were proposed, little to no mention was made to the counterpart problem of cycles. After critically presenting Pasinetti's arguments in favour of the multiplier-accelerator principles and against the common treatment of growth and cycles,

we shall attempt to prove that this dichotomy (and Pasinetti's question) is relevant only within the premises of the (post-)Keynesian theory. Digressing from Keynesian arguments and adopting a modern classical perspective, the dichotomy disappears, and economic growth and business cycles can normally coexist.

Nicholas Haritakis

Department of Economics, National and Kapodistrian University of Athens

Joan Robinson, Luigi Pasinetti and the era of Contingencies, or "the need to sacrifice efficiency in exchange for greater social resilience".

Abstract

It is a challenge for a microeconomist to incorporate Pasinetti's idea on production function and Robinson on differentiation and investigate how 1. Real economic equilibria and Ramsey Planner on quantities 2. Existence on credit market (presence of financial frictions), and 3. inefficiencies (i.e., market power and profits and multi-sector affect and wedge between productive and nonproductive assets, create collateral externalities, and finally, inequitable states.)

Constantinos Repapis

Goldsmiths, University of London and Department of Economics, National and Kapodistrian University of Athens

Cost, pricing and investment decisions. Insights from G.C. Harcourt's writings

Abstract

This paper builds on Harcourt and Kanyon (1976) to underline Harcourt's interest in markup pricing as an important tool in analysing firm behaviour in the (post-) Keynesian mould. Harcourt and Kenyon's pioneering article suggested a direct causal relationship between investment and price formation for firms operating in an oligopolistic market, and this was "intended to provide some microeconomic foundations for the macro-model in *Some Cambridge Controversies*" (Harcourt and Kanyon, 64). Furthermore, Harcourt had worked extensively on accounting rules and how these can influence firm decision processes (See Boianovsky and Repapis, 2023). This paper follows both these strands of Harcourt's thought to argue that markup pricing is a useful way to think of firm pricing policy in a competitive environment which is plagued by uncertainty (see Chick 1992) and firms have to make decisions in a situation with many unknowns.

Nikolaos Rodousakis

Centre of Planning and Economic Research (KEPE)

Limits for Activity Levels in Sraffian Systems: A Real-world Application

Abstract

This research presents a first-time empirical inquiry into Pasinetti's lesser-studied G matrix, highlighting its analytical significance for unravelling key economic variables, such as value added and differential profit rates, in contrast to the extensively researched H matrix. The study succinctly formulates the bounds for transformed activity level vectors in Sraffian systems, articulated through the "maximum row sum matrix norm" and correlated with vertically integrated coefficients and the

variance between actual and maximum growth rates. By exploring the G matrix, the research uncovers its overlooked analytical value and provides refined insights and methodologies, pivotal for enhancing theoretical understanding and real-world applications in economics, aiding a more nuanced comprehension of complex economic structures and dynamics.

Nikos Stravelakis

Department of Economics, National and Kapodistrian University of Athens

The HUMBUG Production Function Debate Revisited - The Impact of Varying Income Shares on Statistical Fitness and Residuals

Abstract

The aim of the paper is to show a part of the empirical dimension of the capital controversy. In his 1957 paper Solow attempted to hide the analytical contradictions of the aggregate production function behind what appeared to be a strong statistical fitness of the Cobb – Douglas function. Fifteen years later, in 1972, Anwar Shaikh Ph.D. student at Columbia back then showed that Solow's regressions were a mere tautology when the income shares are constant like they were back then. Solow replied that he was aware of Shaikh's points, but his aim was not to estimate a high R^2 . He wanted to show that the regression left no residuals therefore his "stationary state" was not only stable but also efficient. Shaikh had to wait five years to publish a rejoinder and the debate was forgotten. Nevertheless, he pointed out that the small residuals depend on the high R^2 therefore Solow's regression was misleading in this aspect as well. We all know that income shares have varied significantly since 1980. Has this affected the statistical results of a Solow type regression of the production function? I will show that it does. This indicates that the empirical results of growth models depending on aggregate production functions of any type are misleading.

Nicholas J. Theocarakis

Department of Economics, National and Kapodistrian University of Athens

Convexity in Economic Theory

Abstract

The assumption of convexity is fundamental in neoclassical economics. The paper traces the history of the notion from its origins to its transformation into one of the basic assumptions of standard and general equilibrium neoclassical theory.

Lefteris Tsoulfidis

Department of Economics, University of Macedonia

Vertical Integration, Dimensionality Reduction and the Hypothesis of Hyper-Basic Industry

Abstract

In recent years, we are witnessing renewed interest in the capital theory controversies, in which the empirically found near-linearities of the price-rate of profit and wage-rate of profit curves take centre stage. This article argues that these near-linearities are resulting from the low effective rank property characterizing the economy's system matrices of technological coefficients. The implication is that it takes only a few eigenvalues and respected eigenvectors for an adequate representation of the

movement of prices consequent upon changes in income distribution. Furthermore, by using a low-dimensional system, we can compress some of the fundamental features of the economy, even into single hyper-basic industry.

Ariel L. Wirkierman

Goldsmiths, University of London

Normative Prices and Quantities in an Expanding Economy

Abstract

The aim of this paper is twofold. On the one hand, to argue that Luigi Pasinetti's academic journey has had one main fixed point: his scheme of Structural Economic Dynamics (SED, hereinafter). On the other hand, to offer a summarising and (hopefully) original take on the key elements of this scheme, both conceptually and analytically. As regards the former aim, we trace Pasinetti's conceptual path from acknowledging the reproducibility of fixed capital undergoing technical change to specifying a normative equilibrium situation. As regards the latter aim, we identify six key features of Pasinetti's scheme of SED which distinguish it from alternative approaches to the determination of prices and quantities, whilst we explore some analytical implications of these features when specifying Pasinetti's SED scheme in Input-Output terms.



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MPhil “Economics”

The Postgraduate Programme in Economics of the Department of Economics of the National and Kapodistrian University of Athens (MPhil “Economics”) was created in order to form social scientists who will produce new knowledge in economics as members of the academic and research community.

We hope that the graduates of the programme will have knowledge of the major theoretical issues and the most important analytical methods of contemporary economic thought, adopt an innovative approach, understand the differences between different schools of economic thought and have the ability to relate theoretical approaches to economic and social policy issues. The MPhil “Economics” enables its graduates to continue directly to studies at the doctoral level.

The programme has specific characteristics that make it unique among the postgraduate programmes offered in economics in Greece.

These are:

- The public and tuition-free character of the programme.
- The quality and tradition of the National and Kapodistrian University of Athens, which has historically been the cradle of political economy and economics in Greece.
- A demanding and focused two-year (four-semester) curriculum with a parallel emphasis on the analytical method and quantitative tools of the mainstream current of economic science and
- Insistence on a pluralistic approach with particular attention to non-orthodox traditions of economic thought as well as on the social dimension of economic science and especially economic policy.



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9:10 Workshop Welcome

Session A *History and Theory; One Integrated Field*
9:30-11:00 Chair: **Constantinos Repapis**

Roberto Scazzieri Luigi Pasinetti as Classical Economist: An Intellectual Journey

**Maria Cristina
Marcuzzo** Geoff Harcourt and Luigi Pasinetti: the twin defenders of the
Cambridge tradition in economics

Neri Salvadori Standing on the shoulders of giants

Nicholas J. Theocarakis Convexity in Economic Theory

Session B
11:30-13:00

Capital Theory, Growth and Cycles
Chair: **Maria Cristina Marcuzzo**

Harald Hagemann	Technical change, real capital formation and the structural dynamics of employment
Heinz D. Kurz	The problem of capital in alternative theories of value and distribution
Nikolaos Chatzarakis	Growth or Cycles: Pasinetti's Question and Answer
Nikos Stravelakis	The HUMBUG Production Function Debate Revisited - The Impact of Varying Income Shares on Statistical Fitness and Residuals

Session C
14:30-15:45

Structural Economics Revisited
Chair: **Ivano Cardinale**

Lefteris Tsoulfidis	Vertical Integration, Dimensionality Reduction and the Hypothesis of Hyper-Basic Industry
Nikolaos Rodousakis	Limits for Activity Levels in Sraffian Systems: A Real-world Application
Ariel L. Wirkierman	Normative Prices and Quantities in an Expanding Economy

Session D
16:15-17:30

Perspectives on Economic Theory
Chair: **Harald Hagemann**

Ivano Cardinale	On Pasinetti's natural vs institutional analysis: a starting point for revisiting the political economy of the Classics.
Nicholas Haritakis	Joan Robinson, Luigi Pasinetti and the era of Contingencies, or "the need to sacrifice efficiency in exchange for greater social resilience".
Constantinos Repapis	Cost, pricing and investment decisions. Insights from G.C. Harcourt's writings

Roundtable discussion

17:45-18:45

Chair: **Nicholas J. Theocarakis**

Maria Cristina Marcuzzo	Heinz D. Kurz	Harald Hagemann	Neri Salvadori
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