Part I. P.E. Qualifier. May 30, 2006 Campbell

Answer all three of the questions below.

1) Discuss and characterize the SSA approach. As one part of characterizing the SSA approach, ILLUSTRATE your claims concerning the nature of the SSA with sufficient concrete references to any three of the SSA applications we read in the Kotz *et al* book. (Or the three associated recent articles by Kotz, Wolfson or O'Hara) (not page numbers here, of course - just concrete claims (hopefully correct) as to what the authors specifically said)

2) Thoroughly discuss the ideas we read on *neo-Austrain economics*. Be sure to present how they see their approach differing from the mainstream approach.

3) Consider a two good economy.

a) For an economy to function it must be productive. Let $X_i$ be the amount of good i produced, and $X_{ji}$ be the amount of good j used to produce $X_i$. i) write the conditions (for the given production level, not scaled to unit output) that must exist for an economy to be productive (just a little thought should give you this) ii) When one scales to unit output and gets the technical coefficients $a_{ij}$, there are three conditions needed to guarantee an economy is productive. Two of them are symmetrical with each other - give these two conditions (again, you can figure these out with minimal thought, think about it).

b) Write the Sraffian price equations normalized on $p_1$, in terms of p and w, where $p = p_2/p_1$ and $w = m/p_1$ for money wage m.

c) From b, derive an equation that gives the wage-profit frontier (if you do by algebra like Woods, you will get a messy equation relating the variables - you do not need to try to simplify the equation to put the w alone on the left (if you do by matrix algebra, it of course will be there in the solution) - just SHOW THE STEPS involved in getting the equation that defines the wage-profit frontier).

d) i) State in words what is the organic composition of capital. ii) Let our favorite condition hold, $(l_1a_{11}+l_2a_{21})/l_1 = (l_1a_{12}+l_2a_{22})/l_2$ . Use from the homework an appropriate result that is valid when this condition holds (and state what result you are using from the homework, but you need not derive it) to show that this favorite condition is equivalent to the long discussed condition of equal organic composition in the two branches.

e) When our favorite condition holds, how will the price of good 2 change in relation to the change of the price of good 1 for an increase in the rate of profit?

f) i) When our favorite condition holds, what is the geometric form of the wage-profit frontier? ii) Draw an example of the wage-profit frontier when our favorite condition holds, and be sure to label the axes.

g) Use one of the price equations and an appropriate result from the homework (a different homework result than the one you used before in d)) to show (including any written words necessary) in a simple way that the geometric form of the wage-profit frontier is what you claimed it was in part i) of f) (a much harder but equivalent way would be to impose the condition on the wage-profit frontier defining equation derived in part c))

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Answer two of the following three questions:

1. Use Veblen's discussion on "the irksomeness of labor", critically discuss Neoclassical conception of the labor market, where in equilibrium the real wage must be equal to both the marginal productivity and disutility of labor.

2. Explain the connection between the investment – saving nexus, most commonly associated with Keynes, and the balance condition in Marx's schemes of reproduction.

3. What are the different types of "value transfers" that emerge from Marx's theory of competition. Critically discuss their relevance for today.