1. What conceptual role does the labor theory of value play in Marx’s theory of capitalism? Make sure to address in your answer both the analytical problems Ricardo faced with respect to “invariant measure” of value, as well as the notion of alienation that underlay Marx’s philosophical viewpoint.

2. Explain why Polanyi takes issue with the view that the market system evolves from the natural human proclivity for truck and barter, and sketch out the alternative explanation he provides on how national (internal) markets emerge separately from markets that involved local and long distance trade.

3. Critically discuss the notion of ‘contested exchange’ developed by Bowles and Gintis and critically discuss if and how it might shed light on some of the present day tensions that emanate from globalization.
Political Economy 7004. Qualifier, May 2007

Answer the following three questions.

1) Characterize and contrast the ideas discussed by the Radical Institutionalists we read (Dugger, Waller, Dietz, and Stanfield) and the Old Institutionalists (Veblen (from what we read about his views) and Polanyi).

2) Present, compare and contrast the Marxist ideas concerning moving beyond (the "transition") and being beyond capitalism, including in particular the issues of 1) the goal and related sub-goals of communism and the nature of socialist and communist societies, and 2) problems and issues; human, political (including the issue of the government/state) and economic in moving beyond capitalism, as presented by Lebowitz (in the article plus any chapter from his book), Chattopadhyay, Fischer in his first chapter and his chapter on socialism and communism, Hunt, Fromm, and Gindin (in the two articles by him).

3) Industry 1 needs \( \frac{1}{2} \) unit of good 1 and \( \frac{1}{8} \) unit of good 2 and 1 unit of labor to produce a unit of good 1. Industry 2 needs \( \frac{1}{2} \) unit of good 1 and \( \frac{1}{2} \) unit of good 2 and 2 units of labor to produce 1 unit of good 2. Let the wage per hour of labor be \( m \).

a) Write and label the actual (not normalized on any price or wage) Marxist price equations with these numbers and the Sraffian price educations with these numbers. (For the rest of this problem after this work with the Sraffian price equations)

b) Using \( \lambda_1 \) to denote the value in each sector, write out (with the numbers given above) the value equations for the two sectors.

c) Using Cramer's rule, solve for the two values \( \lambda_1 \) and \( \lambda_2 \).

d) Now go back to the Sraffian price equation, and for notational simplicity (since we will not solve for it), call \( r+1=s \). Write the two price equations as \( \{ \text{some matrix (figure out what it is)} \times \text{the column vector} \ (p_1, p_2)^T \} = \{ \text{the column vector} \ (m \ 2m)^T \} \) (that latter comes from \( m \times m \) times the direct labor).

e) Solve the last part for \( p_1 \) and \( p_2 \) by Cramer's rule. The results will be messy, and of course they will involve \( m \) and \( s \), but they will (if done right) allow you to answer the next question.

f) Compare the ratio of \( \lambda_1/\lambda_2 \) to the ratio \( p_1/p_2 \). Is the first ratio bigger, the same or smaller?

g) Determine the relation of our favorite relation, \( (l_1a_{11}+l_2a_{21})/l_1 \) to \( (l_1a_{12}+l_2a_{22})/l_2 \) - determine if the former is bigger, the same or smaller.

h) The expression in g tells about the relation of the labor used directly in the preceding production period to the labor used directly in this production period. Show how from that we can get a relation about the organic relations of capital in the two sectors.

i) Draw the following conclusion from the above - what can we say about the relation of values to prices (even thinking in the old way, on gross product that includes double counting) under particular conditions on the organic composition of capital?