

# Contents

<b>1</b>	<b>Overview of the Analytical Structure of Classical Economic Theory</b>	<b>3</b>
<b>2</b>	<b>The Quesnaysian Revolution and the Birth of Classical Theory</b>	<b>10</b>
I.	Aggregative Analysis in Pre-Classical Theory	11
	Early Mercantilism, 1500-1650	
	Latter-Day Mercantilism, 1650-1720	
II.	The Quesnaysian Revolution: An Overview	17
III.	The Basic Quesnaysian Model	21
	Static Equilibrium	
	Dynamic Equilibrium	
	Policy Implications of Quesnaysian Analysis	
<b>3</b>	<b>The Basic Classical Model</b>	<b>34</b>
I.	The Basic Model	36
II.	Full Utilization of Capital Stock	40
III.	Period Analysis in Classical Theory	43
IV.	Disaggregation of the Basic Classical Model	45
	The Exchange Period	
	The Production Period	
	System Equilibrium	

V.	Relative Prices and the Uniform Profit Principle	49
	Ricardian Prices	
	Marxist Prices	
	Conclusion	
VI.	Determinants of Capital Accumulation	60
VII.	Capital and Population Growth	67
<b>4</b>	<b>The Analytical Role of Money in Classical Theory</b>	<b>70</b>
I.	The Quesnaysian Model:	
	Omission of Money as a Key Variable	70
II.	“Money Doesn’t Matter”: The Price-Specie-Flow Doctrine	71
	The Mercantilist Approach: David Hume	
	The Classical Approach: Adam Smith	
III.	“Money Doesn’t Matter”: Say’s Law of Market Exchange	78
IV.	Overview	83
APPENDIX TO CHAPTER 4		
	The Thornton-Wicksell Theory of Credit Creation	84
I.	Thornton’s Pioneer Insight	85
II.	Wicksellian Model of Credit Creation	86
<b>5</b>	<b>Malthusian Aggregative Analysis: Critique of Say’s Law</b>	<b>90</b>
I.	Say’s Law and the Composition of Demand	91
II.	The Malthusian Aggregative Model	93
III.	Post-Malthusian Developments:	
	The Loanable Funds Theory	100
<b>6</b>	<b>Business Fluctuations in the Classical System: Karl Marx’s Real Endogenous Cycle</b>	<b>103</b>
I.	Some Preliminary Considerations	104
II.	Marx’s Basic Classical Model: Statics	105
III.	The Profit Rate	109
IV.	Marx’s Basic Classical Model: Dynamics	111
V.	Marx’s Endogenous Business Cycle	113
VI.	Further Examination of the Endogenous Cycle	117
VII.	The Sources of Instability in Marx’s Two-Sector Model	120

<b>7</b>	<b>Epilogue: The Close of the Classical System</b>	<b>126</b>
	I. The Redefinition of Capital	127
	II. Simultaneity in Economic Analysis: Capstone and Cornerstone	131
	III. Decision Units and Decision Criteria	134
	IV. Conclusion	137
<b>Index</b>	<b>139</b>	