Contents

List	of Fi	gures	X.
List	of Ta	bles	xiii
	ace		XV
PAF	RT I	CLASSICAL ECONOMICS	
1	Ada	m Smith: the founder of classical economics	3
١.		Definitions and causes of wealth	3
		The way to increase wealth	4
		The measure of wealth	7
		Natural price and market price	8
		The invisible hand	11
		The problem of under-determinacy*	13
	1.0	Ouestions	15
		Notes	15
2.	Tho	mas Robert Malthus: population and economy	16
		Principle of population	16
		The theorem of intermediate point	21
		Say's law and money	27
	2.5	Questions	28
		Notes	28
3.	Dav	id Ricardo: the origin of theoretical economics	30
		The theory of differential rent	30
		Distribution of income and economic growth	34
		Wages in economic growth*	36
		The theory of comparative cost	41
	3.5	Mill's solution of international-price determination*	48
	3.6	Rehabilitation of Ricardo by Sraffa*	52
		Questions	56
		Notes	56
4.	Kar	l Marx: a predictor of the collapse of the capitalist economy	58
		Marx's economics	58

vi Contents

	4.2	Surplus labour and surplus value	59
	4.3		60
	4.4	Equilibrium in simple reproduction	62
	4.5	Equilibrium in extended reproduction*	63
	4.6	The law of the declining rate of profit	66
	4.7	The transformation problem: Marx's solution	67
	4.8	The transformation problem: Bortkiewicz's solution*	70
	4.9	Input-output relation, value system, and production-price	. •
		system	72
		Questions	73
		Notes	74
PA	RT II	MARGINALIST ECONOMICS	
5.	The	marginal revolution: the beginning of modern economics	77
	5.1	ia. of animishing marginal utility	77
	5.2		79
	5.3	Development of marginal utility analysis	80
	5.4	The marginal-productivity theory	84
	5.5	Causes and significance of the marginal revolution	85
		Questions	88
		Notes	89
6.	Will	iam Stanley Jevons: a challenger to classical economics	90
	6.1	The law of indifference	90
	6.2	Theory of exchange: two-commodity two-trading-body case	91
	6.3	A diagrammatic exposition	93
	6.4	How to find the equilibrium price	94
	6.5	The case of three-commodity three-trading-body*	96
	6.6	Edgeworth's interpretation of Jevons*	98
	6.7	Theory of labour supply	100
	6.8	Capital and time	103
		Questions	105
		Notes	106
7.	Léor	Walras: formation of general equilibrium theory	107
	7.1	General equilibrium analysis and partial equilibrium analysis	107
	1.2	The two-commodity two-individual exchange	109
	1.3	The multi-commodity multi-individual exchange	112
	7.4	General equilibrium with production	114
	7.5	Capital formation*	117

Contents	vii
----------	-----

		General equilibrium theories after Walras	119 121
		Questions	121
	1	Notes	121
8.	Carl I	Menger: the founder of the Austrian school	122
٠.	8.1	Menger's methodology	122
	8.2	Goods-character and value	122
	8.3	The nature and value of higher-order goods	123
	8.4	A mathematical exposition of the variable-ratio case*	126
	8.5	Wieser's theory of imputation*	127
	8.6	Production and time	130
	8.7	Theory of exchange and price	130
		Questions	135
		Notes	135
9.	Fuge	n von Böhm-Bawerk: development of the Austrian school	136
٦.	9.1	Theory of roundabout production	136
	9.2	Determination of the rate of interest	139
	9.3	Rehabilitation of the classical wages-fund theory?	143
	94	Three causes of interest	144
	9.5	Determination of the interest rate on the basis of the three	
	,	causes*	146
		Questions	149
		Notes	149
10.	Δ1fre	ed Marshall: generalization of classical economics by the	
10.		ginal principle	151
	10.1	Marshall's method	151
	10.2	The assumption of the constant marginal utility of money	154
	10.2	Theory of consumer's surplus	157
	10.4	· ···· · · · · · · · · · · · · · · · ·	159
	10.5		161
	10.6	A firm's long-period supply curve	164
	10.7	The industry's long-period supply curve	167
	10.8	Sraffa's criticism of Marshall	170
	10.9	Robinson's theory of imperfect competition	171
		Appendices to chapter 10*	173
		Questions	177
		Notes	178

viii Contents

11		nur Cecil Pigou: establishment of welfare economics	179
	11.1	Three propositions of welfare economics	179
	11.2	b and product and marginal private liet	
		product	180
	11.3		183
	11.4	Welfare economics and interpersonal utility comparisons	186
	11.5	I neory of unemployment	188
		Questions	192
		Notes	192
PA	RT III	MACROECONOMICS AFTER KEYNES	
12.	Knu	t Wicksell: secession from the quantity theory of money?	197
	12.1	The quantity theory of money	197
	12.2	The theory of cumulative process	200
	12.3	A mathematical exposition of the cumulative process	202
	12.4	Keynes in Treatise on Money (1930)	206
		Questions	211
		Notes	211
13.	John	Maynard Keynes: the advent of the General Theory	213
	13.1	The general theory of employment	213
	13.2	The marginal propensity to consume and the multiplier	213
	13.3	The marginal efficiency of capital and the investment function	
	13.4	The theory of liquidity preference	220
	13.5	On a reduction in money wages	225
	10.5	Questions	232
		Notes	235
	70		236
14.	1S-LN	M analysis: neoclassical synthesis of the General Theory	238
	14.1	ricks s original model	238
	14.2	The generalized general theory	241
	14.3	The neoclassical synthesis	244
	14.4	Hicks's re-examination of the IS-LM analysis*	246
		Questions Notes	251
			251
15.	Gener	ral disequilibrium analysis: a micro-foundation of the ral Theory	
			252
	15.2	The Keynesian counter-revolution The dual-decision hypothesis with respect to a household	252
		decision hypothesis with respect to a household	254

Contents	(
----------	---

	15.3 15.4	The dual-decision hypothesis with respect to a firm General disequilibrium analysis Questions Notes	256 258 266 266
16.	16.1 16.2 16.3 16.4 16.5	Harrod: a dynamic version of the General Theory Harrod's notion of dynamics The instability principle Solow's growth theory Harrod's growth model as a fixed-proportion model* A concluding remark Questions Notes	268 268 269 274 277 279 280 280
17.	Theo 17.1 17.2 17.3 17.4 17.5	Post-Keynesian economics The Cambridge growth equation Kaldor's macro-distribution theory The Pasinetti theorem The neoclassical duality theorem* Questions Notes	282 282 282 284 288 292 295 296
18.	18.1 18.2 18.3	etarism and rational-expectation school: anti-Keynesian comics Monetarism The natural-rate hypothesis The rational-expectation hypothesis A mathematical explanation* Significance of the rational-expectation hypothesis Questions Notes	297 297 299 303 304 309 311 311
Bibliography Author Index Subject Index			313 329 333