Money in Economic Theory

Hasse Ekstedt



Contents

	List of figures	xii
	List of tables	xiv
	Preface	XV
	Acknowledgements	xvii
1	Introduction, scopes and methods	1
	Scopes of the book 4	
	Methodological matters 5	
	The structure of the book 17	
2	The understanding of money: a retrospective glance	20
	Introduction 20	
	Aristotle 24	
	The Salamanca School 27	
	David Hume 1711–1776 31	
	Adam Smith 1723–1790 36	
	The bullionist debate and real bills 41	
	David Ricardo 1772–1823 42	
	Henry Thornton 1760–1815 46	
	The aftermath of the bullionist debate and the currency debate 52	
	Jean Baptiste Say 1767–1832 53	
	Knut Wicksell and the two paths of thinking 57	
	Metallism and chartalism 58	
3	Money, value and prices in neoclassical economic theory	59
	Introduction 59	
	The structure of the neoclassical theory 62	
	Arrow's paradox 70	

	Introduction 219 Valuation and expectation linked to the real economy 225	
7	Inter-temporal valuation, expectations and stability	219
	Expected utility and the state space 199 The complex state space – the copula 205 Uncertainty of the agents' actions 211 Three levels of uncertainty in decision making 218	
	Risk and uncertainty 194 A first look at uncertainty 195	
6	Uncertainty, money and liquidity	194
	Some lessons from history 157 Some important features of liquidity 161 Measuring inflation 164 The fundamental intrinsic feature of money 173 State and inflation 177 A mathematical view of measures in non-equilibrium 177 Some further comments on equilibrium 179 Dynamics and irreversibility 185	
5	Concluding comments on the nature of money in economic theory	157
	theories From the microscopic level to the macroscopic level 104 The complexity of the macroscopic structure 107 Keynes and Keynesian macroeconomics 112 Cash balances, inflation and uncertainty 124 The IS-LM model as a policy tool and its alleged death 128 Supply side economics 134 Complementarities in production and labour hoarding 144 The monetarist challenge 151	104
4	Money, value and prices in the Keynesian and monetarist	104
	Developments of the neoclassical theory 90 Summing up the neoclassical theory and its modifications 103	
	Money and cash balances 74 How can we avoid theoretical chaos? 78 The dimensionality problem and economic behaviour 84	

x Contents

284

Index