

**Joan Robinson
& John Eatwell**

**an introduction
to modern
economics**

revised edition

An Introduction to Modern Economics

Revised Edition

Joan Robinson

*Emeritus Professor of Economics
Cambridge University*

John Eatwell

*Fellow of Trinity College
Cambridge*

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Cambridge
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JOAN ROBINSON
JOHN EATWELL

Preface

The book is offered, in the first instance, to students who are beginners in economics, but some parts of it may be of wider interest.

The three topics, Economic Doctrines, Analysis and Modern Problems, might be the subject of concurrent courses or they may be studied consecutively.

Book 1 surveys the main lines of economic thinking from the eighteenth century to the present day. Here, the reader should not be held up by details of theoretical argument; the analytical points involved are explained or exposed in the course of Book 2.

In Book 2, Analysis, the first chapter examines the manner in which various systems of property affect production, when there are no differences in technical requirements.

The following nine chapters are concerned with the operation of capitalist economies. At first, a highly simplified model is used to discuss effective demand, the short-period distribution of income between wages and profits, and technical progress. In successive chapters, the subject matter grows more complex and the specifications of the models are relaxed. Chapters 5, 6 and 7 cover the ground of what is usually called micro economics, including a brief treatment of public finance. The next three deal with various aspects of the monetary system, of the growth of corporations and of trade, from national and international points of view. The final chapter in Book 2 introduces some theoretical problems of planning in a socialist state.

In the Introduction there is some discussion of methodology and a synopsis of each chapter in Book 2, with suggestions of one or two passages that may be omitted without much loss at a first reading.

Pure economic logic may be regarded as a minor branch of applied mathematics, but we have not found it useful to put much of the argument into symbolic form. The reason is that economic relationships, such as the share of saving in national income, the influence on output of the land to labour ratio, or changes in productivity following technical innovations, cannot be adequately represented in simple, smooth functions. To cut them down to fit into algebraical formulae may be seriously

PREFACE

misleading. We have found it better to use the method of constructing numerical examples and diagrams; this is not so fashionable, but more enlightening.

Mathematical methods are required when actual data are to be manipulated for practical purposes (an example drawn from Soviet experience is referred to in Appendix 1 to 2.11) but then the mathematics is much more advanced than that generally used for the exposition of elementary theory, and, indeed, it is still in the course of being invented.

Book 3 touches upon problems that involve political judgement and they cannot but be seen from some particular point of view. The authors intend their own prejudices to be sufficiently obvious for the reader to discount them as he feels right.

Revised first edition, April 1974

Some minor slips and omissions have been corrected. No attempt has been made to bring the argument into line with events since January 1973 when the first draft was completed.

Contents

Book One Economic Doctrines

Acknowledgements xv

Preface xvi

Introduction 1

(a) Problems and functions of economic philosophy 2

(b) Metaphysics and science 3

1 Before Adam Smith 5

1.1 Leading Ideas 5

(a) Effective demand 5

(b) Money and wealth 6

(c) The last Mercantilist 7

1.2 The Physiocrats 8

(a) Feudalism 8

(b) Metaphysical argument 9

2 Classical Political Economy 11

2.1 Fundamental Ideas 12

(a) A class analysis 12

(b) Capital as an advance 14

(c) The determination of 'surplus' 14

(d) Dynamic analysis 15

2.2 The Accumulation of Wealth 15

(a) The division of labour 16

(b) The factory system 16

2.3 Distribution and Prices 17

(a) Ricardian distribution theory 18

(b) Prices 19

(c) Produced commodities 21

(d) An invariable standard 22

2.4	Effective Demand	23
	(a) Say's law	23
	(b) Malthus' theory of 'gluts'	25
2.5	Marx	27
	(a) Social relations and the creation of surplus	28
	(b) Value and prices	29
	(c) The capitalist epoch	30
	Appendix: Marx's Notation	31
3	The Neoclassical Era	34
3.1	Victory of the New School	34
3.2	Fundamental Ideas	35
	(a) Utility	36
	(b) Equilibrium	37
	(c) Factors of production	38
	(d) 'The reward of waiting'	38
3.3	Prices and Distribution	39
	(a) Scarcity	39
	(b) 'Marginal productivity'	40
	(c) Normal profits	42
3.4	Effective Demand	43
3.5	Critics	44
	(a) A Marxist	44
	(b) A Populist	45
	(c) Marx upside down	46
3.6	The Keynesian Revolution	46
	(a) <i>Laissez-faire</i>	46
	(b) Time	48
	(c) Prices	49
	(d) Savings and investment	50
	(e) The rate of interest	50
	(f) Revolution and restoration	51

Book Two Analysis

Introduction 53

1	Method	53
	(a) Models	53
	(b) Simplifications	55
	(c) Warnings	56
2	Synopsis	56

CONTENTS

1 Land and Labour 61

- 1.1 Conditions of Production 62
 - (a) Units 62
 - (b) Stock 62
 - (c) Social relations 63
- 1.2 Independent Families 64
 - (a) A stationary state 64
 - (b) Growth 65
 - (c) Diminishing returns 66
 - (d) Overhead labour 68
 - (e) Income and effort 68
 - (f) Large and small holdings 69
- 1.3 Landlords and Peasants 70
 - (a) Conflicting interests 70
 - (b) Moneylenders 71
 - (c) Improving landlords 71
- 1.4 Capitalist Farmers 72
 - (a) The extensive margin 74
 - (b) The intensive margin 74
 - (c) Equalizing margins 75
 - (d) Saving and borrowing 76
 - (e) Growth and income distribution 76
- 1.5 Diagrams 77
 - (a) Labour to land ratio and output 78
 - (b) Income and effort 82
 - (c) Size of holdings 83
- 1.6 A False Trail 84
 - (a) The free market: workers hire land 85
 - (b) The free market: landlords hire workers 86
 - (c) A 'fair' distribution of income 86
 - (d) Some confusions 87

2 Men and Machines 89

- 2.1 Conditions of Production 90
 - (a) Technical relations 90
 - (b) Productive capacity 91
 - (c) A private-enterprise economy 91
 - (d) Classes and incomes 92
- 2.2 Wages and Profits 93
 - (a) Money wages and real wages 93
 - (b) The share of profits 94
 - (c) The determination of profits 94

(d) Notation	95
2.3 Credit	96
(a) Bills	97
(b) Lending and borrowing	98
2.4 A Different Model	99
Appendix: Working Capital	100

3 Effective Demand 102

3.1 The Short-period Situation	103
(a) Total income	103
(b) Accounts	104
(c) Investment and saving	106
(d) Investment and income	107
(e) Consumption and investment	108
3.2 Changes in Activity	110
(a) Comparisons and changes	110
(b) Changes in investment	111
(c) Further expansion	112
3.3 Instability	115
(a) Expectations	115
(b) The rate of interest	116
(c) A boom	116
3.4 Long-Period Demand	116
3.5 Pre-Keynesian Theory	117
Appendix: Instability	119

4 Technical Change 127

4.1 Accumulation	127
(a) Employment	128
(b) Real wages	130
(c) Innovators and followers	132
(d) Amortization	134
4.2 Instability	135
4.3 Neutral and Biased Accumulation	136
(a) A steady state	137
(b) Capital-saving bias: a digression	138
(c) Capital-using bias	138
(d) Widening, superior, and deepening investments	139
(e) Lifetime of plant	140
(f) Rough and tumble	141
(g) Pollution	142
4.4 A False Trail	142

5 Commodities and Prices 145

- 5.1 Complex Quantities 145
- 5.2 Categories of Prices 146
 - (a) Commodities 147
 - (b) Markets 147
- 5.3 Primary Products 148
 - (a) Supply and demand 149
 - (b) Markets and incomes 150
 - (c) Attempted remedies 151
 - (d) Conflicting interests 152
- 5.4 Manufactures 153
 - (a) Conditions of supply 153
 - (b) Prime costs and gross margins 154
 - (c) The degree of monopoly 154
 - (d) A single seller 155
 - (e) Charging what the traffic will bear 157
- 5.5 Wages and Profits 158
 - (a) Real wages and labour costs 158
 - (b) The terms of trade 159
 - (c) The share of profits 161
- 5.6 Diagrams 161
 - (a) Marshall's cross 161
 - (b) A false analogy 162
 - (c) A diagram as a map 164
 - (d) Price elasticity of demand 166
 - (e) Prime costs and gross margins 168
 - (f) Monopoly 169
 - (g) Charging what the traffic will bear 170
- 5.7 Other formulations 171

6 Rates of Profit 175

- 6.1 Long and Short Periods 175
- 6.2 Investment Decisions 176
 - (a) Gross and net profit 177
 - (b) Risks of investment 178
 - (c) Oligopoly 180
 - (d) Full-cost prices 180
- 6.3 Normal Profits 181
 - (a) Land and equipment 182
 - (b) Amortization and replacement 183
 - (c) Input-output 183
 - (d) 'Production of commodities by means of commodities' 183

6.4 Theories of Distribution	187
(a) The share of wages and the rate of profit	187
(b) Classical theory	188
(c) The share of wages	188
(d) The post-Keynesian theory	189
(e) The inflation barrier	190
(f) Profits and exploitation	191
6.5 Neoclassical Theory	192
Appendix: The Wage-Profit Line	193

7 Incomes and Demand 196

7.1 Earned and Unearned Income	196
(a) Income from property	197
(b) Mixed incomes	198
(c) Household saving	198
(d) Earned incomes	199
7.2 Demand for Commodities	201
(a) Consumer's choice	202
(b) Rationing by the purse	203
(c) Supply creates demand	203
7.3 The Public Sector	205
(a) Public and private expenditure	205
(b) Activities of the state	206
(c) Taxation	207
(d) Government borrowing	208
(e) The burden of the National Debt	209
(f) The budget and effective demand	210
7.4 The Price Level	211
(a) Money wages	211
(b) Inflation	212
7.5 Another Story: 'Consumers' Sovereignty'	214
(a) A harmonious society	214
(b) Some difficulties	215
Appendix: Accounting Identities and Causal Relations	216

8 Finance 218

8.1 Money and Finance	218
(a) The revolving fund	218
(b) Bank money	219
(c) Consumer credit	220
(d) Other borrowers	221
(e) Financing finance	221

CONTENTS

- (f) Liquidity 221
- (g) The basis of credit 222
- (h) The supply of money 223
- 8.2 The Market for Placements 224
 - (a) Bonds and shares 224
 - (b) The Stock Exchange 225
 - (c) Instability 226
- 8.3 Interest Rates 227
 - (a) Long-term rates 227
 - (b) Stock and flow 227
 - (c) Monetary policy 228
 - (d) The economist's day dream 229
- 8.4 'Monetary Theory' 229

9 Growth: Firms, Industries, and Nations 232

- 9.1 Behaviour of Firms 232
 - (a) Rentiers 233
 - (b) The process of growth 233
 - (c) The technostructure 234
 - (d) 'Maximizing profits' 235
 - (e) The profit criterion 236
 - (f) The authority of finance 236
- 9.2 Industries 237
 - (a) Demarcation 237
 - (b) Supplies 238
 - (c) Markets 239
- 9.3 National Policy 240
 - (a) Free-trade theory and protectionist practice 240
 - (b) Beggar-my-neighbour 241
 - (c) Rules of the game 241
 - (d) Planned trade 242
- 9.4 The Neoclassical Model 242

10 International Balances 245

- 10.1 Trade of a Region 245
 - (a) The foreign balance 246
 - (b) Home activity 246
 - (c) Accumulation 247
 - (d) The capital account 247
 - (e) The balancing factor 248
 - (f) The balance of payments 248
 - (g) International money 249

(h) Other differences	250
(i) A national account	250
10.2 Current Balances	251
(a) Gold flows	252
(b) A substitute model	253
(c) Imperfect adjustments	254
10.3 The Balance of Payments	254
(a) Foreign lending	255
(b) A balance of payments	255
(c) Harmonious movements	256
(d) Disharmony	257
10.4 The Foreign Exchanges	258
(a) The gold standard	258
(b) Depreciation	259
(c) Money wages	260
(d) World currencies	261
10.5 The Myth of Normality	261
Appendix: The Multiplier and the Propensity to Import	262
11 Socialist Planning	264
11.1 Prices and Incomes	264
(a) Costs and surplus	265
(b) Classical prices	266
(c) Neoclassical prices	267
(d) Changing prices	268
(e) Purchasing power and shopping power	269
11.2 Efficiency	270
(a) Production possibilities	270
(b) Allocation of materials	271
(c) Rent	272
11.3 The Rate of Accumulation	272
(a) The schema of reproduction	272
(b) The Neoclassical view	274
(c) Socialist accumulation	275
11.4 Choice of Technique	275
(a) Objectives	275
(b) Labour as a cost	276
(c) Material resources	277
(d) Allocating investible resources	277
(e) 'Walking on two legs'	279
11.5 Another story: 'The Rate of Return'	279
Appendix 1: The Search for Efficiency in Soviet Planning	280
Appendix 2: The First Law of a Socialist Accumulation	288

Book Three Modern Problems

Introduction 293

1 Capitalist Nations 295

- 1.1 Armaments 295
 - (a) USA 295
 - (b) UK and France 297
 - (c) West Germany and Japan 297
- 1.2 Employment Policy 298
 - (a) Confidence 298
 - (b) Fiscal policy 299
 - (c) Interest rates and investment 299
 - (d) Monetary boosters and dampers 300
 - (e) Stop-go 301
- 1.3 Open Economies 301
 - (a) The balance of payments 301
 - (b) Competitive success 303
 - (c) Competitive weakness 304
- 1.4 Growth 306
 - (a) Economic miracles 306
 - (b) Inflation 307
 - (c) Poverty in the midst of plenty 308
 - (d) Migration 309
 - (e) Pollution 309
 - (f) What now? 311

2 Socialist States 313

- 2.1 Another Set of Problems 313
 - (a) Employment 313
 - (b) International trade 314
 - (c) Inflation 315
 - (d) Public finance 315
 - (e) Alienation 316
- 2.2 Agriculture 317
 - (a) Extracting the surplus 317
 - (b) The terms of trade 318
 - (c) Political prices 318
- 2.3 Projected Reforms 319
 - (a) What is an enterprise 319
 - (b) Political consciousness 320

3	The Third World	322
3.1	Underdevelopment	323
	(a) Landlord and peasant	323
	(b) Land reform	324
	(c) Capitalist farming	325
	(d) Food importers	326
3.2	Unemployment	326
	(a) Keynesian unemployment	326
	(b) Under-employment	327
	(c) Choice of technique	328
3.3	Foreign Trade	330
	(a) Exports of primary products	330
	(b) Manufacturers	331
	(c) 'Import substitution'	331
3.4	Capital Inflow	332
	(a) Finance	333
	(b) Saving	333
	(c) The morning after	334
3.5	Population	335
	(a) Food supply	335
	(b) Investment	335
	(c) Policy	336
3.6	Conclusion	336
	Bibliography	339
	Index	341

Book One

Economic doctrines

Introduction

The development of a theory of political economy was an element in the growing self-consciousness of intellectual opinion that followed the scientific revolution of the seventeenth century. If the order of society was not divinely ordained, but part of the natural world, then it was a proper subject for philosophical inquiry. The religious view of social relations, which taught that there is a *just price* for every commodity and which condemned the taking of interest as usury, had given way before the requirements of commercial life. Long before there was a systematic theory of economics, actual economies had reached a high degree of complexity. The philosophers were, so to say, gazing at a rich, confused and complicated scene, trying to make sense of it.

The free-thinkers of the eighteenth century found a substitute for religion in the concept of *natural law*. They sought to find principles of harmony and justice in human life corresponding to the regularity of the physical universe that Newton had revealed.

As thought developed, natural law gave way to the principles of the *Utilitarians* who supported the doctrine of Jeremy Bentham (1748–1832) that social arrangements can and should be judged by their consequences. The criterion for judging the consequences of any policy was taken to be the contribution that it made to the ‘greatest good of the greatest number’.

This was a sharp break with the theological view of life which had been transmuted into the conception of natural law. Actions were to be judged by their results, not by appeal to some general scheme of morality. Despite its humanitarian slogan, Utilitarianism quickly turned, as we shall see, into a hard-headed devotion to expediency in which the conception of social class became more rigid than ever.