

AN ESSAY ON MARXIAN ECONOMICS by Joan Robinson

Think Effective Demand or Theory of Employment in Mod. Econ. provides basis for study of law of action of capitalism.  
RUN LOSING RACE AGAINST COURSE OF M.P. p.111

- 3 strands of thoughts in Mx: (1) Unemployed army (fluctuates bet. stock of exp. offering emp. & supply of available labor)
- (2) Declining r. of p. (greed for acc. multiplies itself by reducing r of p.)
- (3) Relationship bet. a.p. and m.c.

c, v, s, / output -- "avoid ambiguity; also capital per man employed)

p.19 p. Movement from equal r. of exploitat toward equal r. of p.

entrepreneurs not rapacious: Moneybags, inert shareholders now.  
Prop. & enterprise not indistinguishable

ASSUMPTIONS OF CONSTANT R. OF EXPL. & LAW OF VALUE

\*\*\*\*\* As soon as rigid subsistence level theory is abandoned, there is no answer as to what determines div. between total prod. bet. cap. & labor.

\*\*\*\*\* " Mx may be rescued only if it is argued that the marginal productivity of cap. <sup>real</sup> is assumed to fall very sharply beyond a certain point."

\*\*\*\*\* If no inducement to invest is necessary, m/mc may be self-adjusting & no CRISES, no matter how low level of subsistence.

supply price of cap.; Abnormal profits are normal rule. p.72  
overall monopsony. -- elasticity of demand; low r prices.

THEORY OF EQUILIBRIUM of Ex. & Prod.

Consumer's choice.

accepted doctrines: (1) ordinal view of utility  
(2) circular relationship of cost and value  
(3) opportunity cost principle.  
Marginal productivity and functional equations.

\*\*\*\*\* UNTIL '50S there was no substantial increase in  
mathematical eco.; eclecticism  
and at SAME TIME INTERNATIONALIZATION OF THEORY

more preferred  
less preferred  
indifference curve

Marshall: cross bet. Ric. & Boem-B  
Every Marshallian theory finds  
its counterpart in restatement by Hicks.

"Proportionality of marginal utilities to prices becomes tangency  
of price line MARGINAL RATE OF SUBSTITUTION  
to indifference curve.

THEORY OF MONOPOLY

THEORY OF IMPERFECT COMP.

Diminishing RTurn: NOT REAL OBSTACLE to  
expansion of prod.--av. cost still diminishing  
at a point at which he stopped expanding,  
--hence MKT.

KEYNES --Classical pol. eco. concerned with distribution of social  
product rather than with AMOUNT, with relative share of  
national income rather than with forces which determine  
LEVEL. But one thing in common with classicists:  
Dealing with: AGGREGATES & INTERDEPENDENCE  
INCOME, CON. SAVING &  
INVESTMENT  
rather than with individual prices.

Effective demand: "the aggregate income (or proceeds) which  
the entrepreneurs expect to receive, inclusive  
of income which they will hand on to the  
other factors of prod., from the amt. of current employment which  
they decide to give."

1. TOTAL demand in terms of money for goods determines profitability.
2. This demand however is nothing more than TOTAL money income created within eco.
3. Since NATIONAL expenditure is identical with national income, and hence EMPLOYMENT what determines its level:
4. PSYCHOLOGICAL attitude to liquidity
5. PROPENSITY TO CONSUME--REL. BET. TOTAL INCOME & AGGREGATE CON. (fairly stable function of aggregate income)
6. PSYCHOLOGICAL expectation of future yield for cap. investment.
7. MARGINAL efficiency of capital (determined

Expenditure: mp & mc  
det'd. by a law.

Given propensity to consume the level of investment will determine what the equilibrium vol. of employment will be.