SUBJECT INDEX

Accelerator, 264–5, 289–91
Aggregate demand (function)
  and effective demand, 64–5
  expected and actual, 64–5, 71, 76–9, 102–3
  introduced, 63, 67–9, 70–72
  microfoundations of, 102–31
  wage cuts and, 153–7
  in wage units, 69, 70–71
  (*see also* Consumption; Investment)
Aggregate supply (function)
  and the demand for labour, 99–101
  introduced, 63, 65–6
  and *IS–LM*, 90
  microfoundations, 82–92
  missing in 'Keynesian' analysis, 90, 255–6, 265–6, 291
  properties, 92–7
  user cost and, 63, 83, 85, 91–2
  and wage changes, 153–5
  in wage-units, 69–72
Aggregation
  and decentralised decisions, 35–40
  of financial assets, 40–41, 46
  and investment, 123–5
  by sector, 34–40
  of supply curves, 88–91
  by type of product, 40
Assets
  demand for, 194–218, 293–313, *passim*
  produced and non-produced, 299–300, 303–4
  rate of return on (*see* Interest, rate of)

Banking system, 232–42
  credit creation by, 232, 236–40
  development of, 190–91
Borrowing
  cost of (*see* Interest, rate of)
  direct and indirect, 176–7

Capital
  capacity utilisation, 274–5, 277, 278
  deterioration (*see* Costs, user; Costs, supplementary; Depreciation)
  inadequacy of, 27, 343, 355, 359–60
  supply price of, 123–5, 126–9
Classical Postulates, 94, 132–71, *passim*
  stated, 135
Classical theory
  of employment, 134–7
    Keynes's objection to, 141–57
  of interest, 177–9, 183–92
Collective bargaining, 74, 139–40, 146, 149, 163–7
Composite commodity, 66, 90
Consume, marginal propensity to, 70, 71–2, 103, 113–15, 325–6
Consumption, 103–18
  aggregate, concepts of, 42–6, 53–4
  function, 67–8, 103–18
  income distribution and, 113–15, 345
  labour supply and, 103–9
  long-run and short-run, 115–18
  meaning, in *G.T.*, 53
  in output-units, 105–6
  planned, actual, 38
  unemployment and, 107–9
  in wage-units, 69, 105–6
  wealth and, 116–17
Consumption-loan theorem, 346
Costs
  constant (or increasing) (*see* Returns)

factor, 49, 51
fixed, 51, 52–3
labour, 63
marginal, average, 86, 88, 94–6, 118, 152–3
prime (variable), 48, 51, 63
raw materials, 51
supplementary, 51–2
user, 47, 49–51, 63, 83, 85, 91–2, 275, 277–8
Credit (*see* Banking system)
Crises, 5, 286–9, 291
Crowding out, 238, 239, 321–2
Cycles (trade, business), 285–92
mpc in, 325–6
prices in, 277

Debt burden, 291, 347–8
Debt management policy, 319
Demand (for output), 84
actual, expected, hypothetical, 85–8
Demand management (*see* Policy)
Depreciation, 52–3 (*see also* Costs, user; Costs, supplementary)
Disequilibrium, 21, 77–9 (*see also* Equilibrium)
Dividends, 52–3, 288

Economy
monetary-production (or entrepreneur), 2–6
real-exchange (or cooperation), 2–6
self-righting, 4, 8–9 (*see also* Say's Law)
Effective demand, 64–5, 72, 73–4, 109, 142–4, 153–4
Principle of, 62–4, 70–79, 243–7
and the multiplier, 253–4, 256
and Say's Law, 71–2, 109–12
and unemployment equilibrium, 74–6, 109–12
Employment, 132–71, *passim*.
Classical theory of, 132–7
Keynes's objection to, 141–57
determination of, 63–4, 144, 161–2, 243–7
in *IS–LM*, 247–9
in neoclassical models, 246
(*See also* Full employment; Unemployment; Effective Demand, Principle of)
Equilibrium
concepts of, 21–4
full employment, 112 (*see also* Say's Law)
partial, general, 9–10, 14–16
short-run, long-run, 22–3, 74–9, 246–7, 296
unemployment, 25, 74–7, 109–12, 296
Equities, 288

Exchange rates
fixed (flexible), 350
and speculation, 210
Expectations
and the definition of income (*see* Costs,user)
and equilibrium, 22–3, 74–9, 243–7
(labour's) of real wages, 22, 38, 149–51, 167–90, 274, 278–80, 283
long-run, 20, 22–4, 62, 79, 120, 125–9, 263–5, 288–91
(producers') of the value of capital (*see* Costs, user)
short-run, 20, 22–4, 26, 74–9, 86–8, 265–7
(speculators' or investors') of capital gains, 202–4,

Finance
banks and, 189–91, 234, 333
of government expenditure, 319–22, 333–4, 347–8
of investment, 121–2, 129–31, 175–7, 198–200, 259–63
and the multiplier, 257–63, 318, 320–34, *passim*
sinking-fund and rising-fund, 241–2
(*see also* Retained earnings)
Finance motive, 198–200
Financial intermediaries, 176
Firm, size of
and competition, 83–4
and elasticity of demand, 89
Firm, small, 24–6, 39–40, 83, 85
Full employment, 64, 72, 78–9, 296
concepts of, 138–40

General Theory, The
historical background, 6–10
method, 11–12, 14–58
relevance of, 353–61
structure of, 29–32
style of, 27–8
Gold standard, 7, 9, 308
Government 'budget restraint', 318–20
Growth
historical perspective, 339–43

Harrod's 'knife-edge' theorem, 265, 266
Hoarding, 178–9

Income
aggregate, concepts of, 41–53, 55
aggregate, determined, 245
in *G.T.* (gross, net), 47–52
National Income (statistics), 41, 55, 59
in wage-units, 68

Income distribution
and aggregate supply, 96–7
and consumption, 113–15, 345
since the war, 340–42
Income period, 20–21, 195–7, 261, 310
Inflation, 278–80, 336–7, 347–8, (*see also* Interest, rate of)
Interest, defined, 174–5
Interest, rate of
and bank lending, 233–4
Classical and neoclassical (or loanable-funds) theories of, 177–9, 183–92
concept generalised, 297–9
downward-stickiness of, 302–4
inflation and, 228–30, 310–11 (*see also* real)
and investment, 118–30, 175–7, 184–9
Keynes's theory of, 219–28
and liquidity preference, 197–8, 204–10, 219–28, 328–34
and the multiplier, 322–4
normal, 204, 228–9
and policy, 316–35, *passim*
real, 309–10, 342, 347–8
and the return to capital, 183–4
on equities, 204
International monetary system (*see* Monetary system; Gold standard; Exchange rates)
Investment
aggregation, 123–5
autonomy of, 67
concepts of, 41–6, 54–6
induced, 324–5, (*see also* Accelerator)
labour-saving, 345–6
and long-term expectations, 120–22, 125–9, 264–5
meaning in *G.T.*, 54–5
microfoundations of, 118–22
and the rate of interest, 120–30, 183
wasteful, misdirected, 348–9
(*see also* Finance; Marginal efficiency of capital)
IS–LM model, 3–4, 90, 103, 247–9, 282, 322–4

Keynesianism, Keynesians, 133, 255–6, 271, 317–20, 338 (*see also IS–LM* model)

Labour
demand for, 72–4, 99–101, 135–6, 159–71
supply of, 72–4, 103–9, 135–6, 149–52, 164–71, 278–80
(*see also* Classical Postulates; Unemployment; Collective bargaining; Effective demand)
Lending (*see* Borrowing)
Liquidity, 304–7
Liquidity Preference, 3–4, 194–211, 213–18, 225–6, 327–34
Liquidity premium
defined, 298
in inflation, 309–10
on money, 301
and non-money assets, 304–5
and sticky wages, 306–7, 309
Loanable funds, 175, 178, 331
approach, 258, 290, 331
theory, (*see* Interest, rate of)
Long run, 17, 23, 277, 281–2, 285–6, 295–311, 336–53 (*see also* Expectations)

Marginal cost of hiring, 159–63
Marginal efficiency of capital, 120–6, 129–30, 175, 287–9, 300–2, 325, 339, 344–5
Market forces (and forces for adjustment), 84, 136, 144–152
Market imperfections, 111–12, 136
Measurement (*see* Units of measurement)
Method (statistics, dynamics etc), 14–16, 180, 213, 219, 232, 238 (*see also* Equilibrium; Models in *G.T.*; Perfect foresight)
Models in *G.T.*, 24
static model, 243–5
Monetarism, monetarists, 4, 239, 245, 316, 319–20, 330–34
Monetary policy, 319–20, 327–34
Monetary system, 307–11, 338, 349–50, 354, 357–8 (*see also* Gold standard; Exchange rates)
Money, 5, 10–12, 293–311
assets included in, 202–3
and bank credit, 234–6
demand for (*see* Liquidity preference)
essential properties of, 295–306 (esp. 302–4)
exogeneity/endogeneity, 232, 234–6, 243, 245, 308
and expenditure, 257–63, 320–7
inside/outside, 308
and policy, 316–34, 336–9, 347–8
and prices, 281–2
and Say's Law, 293–5
supply, elasticity of, 307–11, 349–50, 354, 357–8
and unemployment, 293–5
Money illusion, 57, 141–2, 149, 167–70, 283
Monopoly, monopoly power, 25, 33, 84
Multiplier
and accelerator, 289–91
employment, 254
and expectations; short-run, 265–7; long-run, 263–5
and expenditure and output, 255–6, 265–7

and finance, 257–63, 320–27
interest and the, 322–4
and liquidity preference, 261–3
'logical theory of', 267
and Principle of Effective Demand, 253–4, 256
static and dynamic, 253–4, 256–65, 269–70

Neoclassical synthesis (*see IS–LM* model)

Open market operations, 222–3, 319, 328–31
Optimism and pessimism, 226, 233–4, 308
Output, 66, 86–91, 255, 271–84

Perfect foresight (or certainty or knowledge), 25–6, 39–40, 85, 195, 201, 294, 295
and unemployment equilibrium, 109–12
Permanent income hypothesis, 117–18
Phillips curve, 282–3
Policy, 316–52
aims, 316–17
efficacy of, 318, 327
fiscal policy, 319–27
in *G.T.*, 316, 328
in longer term, 336–52
open market operations, 222–3, 319, 328–31
Polypoly (*see* Firm, small)
Population, 340, 344, 354, 358–9
Portfolio theory (or approach), 192, 213–18, 309–11
Precautionary motive, 195–8
Present value, 120, 126–7
Price
expectations (*see* Expectations)
flexibility (or rigidity), 112, 255, 271, 276–7
index, general, 57–8
stability, 354, 356–7
Price-taking, 25–6, 33, 40, 83–5 (*see also* Profit-maximising)
Prices, 66, 86–91, 271–84, 318, 327
changes in, 272–80
data, 7, 150–51
fixed, 255, 271, 276–7
in the longer run, 281–2
money and, 281–2
of raw materials, 51–2, 277–8, 280 (*see also* Costs, user)
stock market, 288–9
Production (*see* Output; Supply curve (of output))
Production period, 20, 22, 195–7, 246, 263
Profit-maximising (or profit-seeking), 48, 63, 65, 69–70, 74, 83–91, 120, 271–2
Profits
accounting, 52–3
as defined in *G.T.*: gross, 48, 51; net, 51
(expected) and aggregate supply, 66, 83
and investment, 120, 125–9
since the war, 341–2
wages and employment, 163–7
'Pump-priming', 324–5

Quantity theory, 195, 197, 278

Rational expectations, 4
Raw materials (*see* Costs, user; Prices)
Real rate of interest (*see* Interest, rate of)
Recontracting, 112
Walras's 'tickets', 142
Retained earnings (internal funds), 52, 53, 121, 129–31, 176, 332–3
Return, rate of, 297–9, 300–2
falling, 300–2
on financial assets (*see* Interest, rate of)
on real capital (*see* Marginal efficiency of capital)
Returns
constant (or constant costs), 94, 271, 277, 278
diminishing (or increasing costs), 66, 94–5
increasing (or decreasing costs), 94–5
Revolving fund, 232, 239–40, 260
Risk, 121, 214–15

Sales, 48, 49, 53–5 (*see also* Expectations)
Saving
aggregate, concepts of, 42–3, 55–7
business, 176 (*see also* Sinking fund; Retained earnings)
and 'finance' (or lending or loanable funds), 175, 185, 186, 189–90, 258–63
'forced', 179, 232, 236–9
individual and aggregate, 56–7, 83, 179–83
and money-holding, 196, 199
and the rate of interest, 178, 183–4
real, 56, 181, 189
Saving and Investment
causal priority, 178, 184–92, 236–9
equality, 55–7, 72, 179–84
Say's Law, 6, 8, 10–11, 71–2, 82–3, 109–12, 178–9, 188–9, 293–5
'Secular stagnation' hypothesis, 293, 338
Short run
and calendar time, 16–21
empirical relevance of, 277, 355–9
and fixed capital, 16–21, 300–1
output determined in, 62
and stocks and flows, 23
(*see also* Expectations)
Sinking fund, 52–3 (*see also* Costs, supplementary)

Speculation, 204–8
and asset-holding (or investing), 202–3, 213–17, 328
in foreign exchange, 210
and long-run profit, 207–8
in real property, 209–10, 303
Speculative motive, 200–10
and asset holding, 202–3, 209
and monetary policy, 328–32
Stationary state, 338, 344–50
Supply curve (of output)
and aggregate supply, 90–92
of the firm or industry, 85–9

Technical change, 281–2, 301–2, 339–41
Time, 5, 10–11, 15, 17, 246–7, 261 (*see also* Time horizon)
Time horizon
of consumption and saving decisions, 16–21
of financial-asset holders, 20–21, 194, 200, 202–3. 217. 309–10
of production and investment decisions, 16–21
(*see also* Income period; Production period)
Transactions motive, 194–8
'Transmission mechanism', 327–9

Uncertainty, 11, 15, 24–6,62, 85, 111, 196–7, 200, 201, 214–15, 296, 309
Unemployment (or underemployment)
and effective demand, 64
equilibrium and disequilibrium, 74–9, 293
interwar, 6–8
involuntary, 72–4, 136, 139–40, 293
and 'market imperfections', 135, 140
as the 'norm', 27, 355
postwar, 336–9
and prices (or inflation), 272, 277, 336–51
voluntary, temporary, fictional, 71, 136, 139
wages and, 8–11, 111–12
Unions, 145–6, 163–7 (*see also* Collective bargaining)
Units of measurement, 47, 57–8, 67–70, 105

Wages, 132–71, *passim*
and aggregate supply, 66, 70, 92–3
changes in, 75, 148, 152–7
Classical theory of, 132–7, 146–9
and employment, 7–10, 72–5, 94
flexible (or rigid), 132, 148, 152–7, 249
history and the level of, 161–2
interwar, 8–9
and marginal disutility of work (or employment), 135–6, 139, 141–4, 148, 168
and marginal product of labour, 135–6, 142–4, 159–61
and prices, 272–80
sticky, 132, 140, 148, 152, 162–3
and liquidity premium, 306–7
yesterday's (or 'the going wage'), 74–5, 142
Wage-units, 68–70, 272
Wealth, 41–2, 44, 46
Windfalls. 49