Léon Walras, Elements of Theoretical Economics

or The Theory of Social Wealth

Translated and edited by

DONALD A. WALKER
Indiana University of Pennsylvania

JAN VAN DAAL
Triangle, University of Lyons-2

CAMBRIDGE UNIVERSITY PRESS
Contents

Translators' introduction                              page ix
Preface to the second edition                          III

PART I  OBJECT AND DIVISIONS OF ECONOMICS
Lesson 1  Adam Smith's and J.-B. Say's definitions     3
Lesson 2  Distinction between science, the arts, and ethics  11
Lesson 3  Social wealth. Triple consequences of scarcity. The fact of value in exchange and of economic theory  20
Lesson 4  The fact of industry and applied economics. The fact of property and social economics  29

PART II  THEORY OF EXCHANGE
Lesson 5  The market and competition. The problem of the exchange of two commodities for each other  41
Lesson 6  Curves of effective demand and effective supply  52
Lesson 7  Discussion of the solution of the problem of exchange of two commodities for each other  68
Lesson 8  Utility or want curves. The theorem of maximum satisfaction  77
Lesson 9  Discussion of demand curves. General formula for the mathematical solution of the problem of exchange of two commodities for each other  97
Lesson 10  Rareté, or the cause of value in exchange  110
Contents

Lesson 11 The problem of the exchange of several commodities for one another. Theorem of general equilibrium 118

Lesson 12 General formula of the mathematical solution of the problem of the exchange of several commodities for one another. Law of the determination of the prices of the commodities 132

Lesson 13 Law of the variation of the prices of the commodities 145

Lesson 14 Theorem of equivalent redistributions. Choice of a standard of measurement and of a medium of exchange 156

Lesson 15 Purchase curves and sales curves. Price curves 169

Lesson 16 Exposition and refutation of Adam Smith's and J.-B. Say's doctrines of the origin of value in exchange 179

PART III THEORY OF PRODUCTION

Lesson 17 Capital and income. The three services 191

Lesson 18 Elements and mechanism of production 201

Lesson 19 The entrepreneur. Business accounting and inventory 211

Lesson 20 Equations of production 222

Lesson 21 Solution of the equations of production. Law of the determination of the prices of products and services 231

Lesson 22 The principle of free competition. Law of the variation of the prices of products and services. Price curves 247

PART IV THEORY OF CAPITAL FORMATION AND CREDIT

Lesson 23 Gross and net income. The rate of net income. The excess of income over consumption 259

Lesson 24 Equations of capital formation and credit 273

Lesson 25 Solution of the equations of capital formation and credit. Law of the determination of the rate of net income 281
Contents

Lesson 26  Theorem of the maximum utility of new capital goods. Law of the variation of the rate of net income 297
Lesson 27  Laws of the determination and variation of the prices of capital goods. The permanent market 310
Lesson 28  Increase of the quantity of products. Laws of the general variation of prices in a progressive society 319
Lesson 29  Critique of the doctrine of the Physiocrats 331
Lesson 30  Exposition and refutation of the English theory of the prices of products 337
Lesson 31  Exposition and refutation of the English theory of rent 345
Lesson 32  Exposition and refutation of the English theories of wages and interest 362

PART V THEORY OF MONEY
Lesson 33  The problem of the value of money 377
Lesson 34  Mathematical theory of bimetallism 390
Lesson 35  Relative stability of the value of the bimetallic standard 405
Lesson 36  Fiduciary money and offsetting claims. Foreign exchange 420

PART VI PRICE FIXING, MONOPOLY, AND TAXATION
Lesson 37  Price fixing and monopoly 437
Lesson 38  Taxation 455

APPENDIXES
Appendix I  Geometrical theory of the determination of prices
   I. The exchange of several commodities for one another 469
   II. The exchange of products and services for one another 480
   III. The exchange of savings for new capital goods 489
Appendix II  Observations on the principle of Messrs. Auspitz's and Lieben's theory of prices 495
Appendix III  Note on Mr. Wicksteed's refutation of the English theory of rent 501
Index 511