History of Economic Theory
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Lecture No. # 26

Arrival of modern universals in Economics: Neo classical school

We have come to a very interesting juncture in this journey of trying to understand the history of economic thought. We started by saying that, every science is a set of universals within the framework of its own methodology, within the framework of its own scope. It pronounces the set of universals about the state of the universe, whether it is physics or chemistry each has its own universals about this world and so too does economics.

We started this quest on how these universals of economics, modern economics came to be what they are and they started the quest way back in time with how universals were any way articulated at the time of Greeks. We found two important factors at that time leading to the possibility of the universals; one is faith arising out of uncertainty and insecurity. Faith simply postulates a permanent eternal and attributes everything that happens, which is transitory to the eternal that is the early form of the statement of the universals.

In the Greeks you found also, running parallelly after a while a preoccupation with universals from a speculative point of view, from a scientific point of view, from a philosophical point of view too, so these two thins coincide. And by the time of Plato, the two were merged. In Plato, the universals coming from faith and the universals coming from speculation and enquiry are merged in a sense therefore you can say, Plato is the apogee of the development of Greek thought. In another sense, you can say is the ultimate downfall of Greek thought.

Because, many things, which were autonomous and independent about the (( )) traditions among the Greeks, lost their way in Plato, either way the early universals were like that. But, in the writings of Aristotle, we find certainly the earliest statements about economics. Economics and Aristotle was considered to be a household science or science concerned with the behavior of households, how they conduct the household economy.

And you find that, this preoccupation with the economics of the household goes right on through a long long time after Aristotle, it goes on till the 13 th, 14 th century (( )) in the writings of the Scholastics.

In Saint Thomas Aquinas for instance, you find economics pretty much as Aristotle had stated it long long ago; economics is all about how we were on a household, and economics is also a lot of moralization as it happened in Aristotle in tradition. Moralization about making money for money sake is there in Aquinas as much as it is in Aristotle.

So from the household, economics moves to political economy, when the mercantilists come into prominence mercantilists come into prominence you know when the mercantile revolution is (( )) across Europe when the towns are growing and the villages and their country side and feudalism in general all declining; the rise of modern nations treats, where the rising monarchies powers or collaborating with the merchants in the cities; and formulating policies for the nation, which are essentially policies for the well being of the merchants in the mercantile revolution.

So, for the first time, economics becomes political economy or rather for the first time, the economics (( )) the household becomes political economy political economy, because it concerns the political future of a nation. Also, it concerns the political future of a particular very dynamic and active class of people, the mercantile groups, this goes on till the dispute over mercantilism comes to stay by the time Smith is writing (( )) is writing, but by then political economy is has come to stay.

It is no longer the realm to be dominated by mercantile class, but in Smith, Ricardo, Malthus and all of them, there is a clear formulation of the society has consisting of three groups of people, the capitalists, the landowners and the workers. So, thus the domain of political economy and those are all the (( )), so what Ricardo was writing were the universals of political economy at that time.

And so too in the theory of exploitation of Karl Marx by the 1870’s, when Marx was publishing his (( )) also occurs a tremendous explosive outpouring of marginalist writing, neo classical writing; three great marginalist economist writer that time Jevons, Menger and Walras, all three produced classics. Walrassion work of course, is recognized at least

15 years after he wrote it. But, needless to say, all three are considered pioneering works in neo classical economics.

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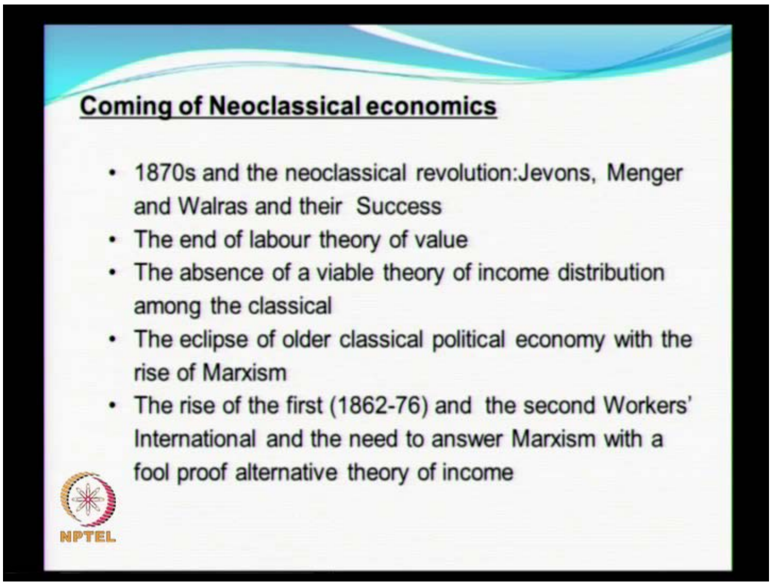

It is not as such this neo classical economics and marginalist ideas of utility did not come earlier. They saw for instance that, Galliano, Cournot, Dupuit, they were all talking about utilities, they were all talking about market, they were all talking about efficiencies, but it did not pick up as the writings of Jevons, Menger and Walras picked up. In the 1880's, there was a next generation of marginalist writers, who were so numerous and so vociferous in their support of this idea of looking at economics, that neo classical economics had come to stay.

So, what was the reason, why all this happened, what is the story of coming into existence of the neo classical economics? We can say, from the time of Jevons, Menger and Walras in the 1870's till the completion of the works of Marx I am sorry Marshall in the first decade of the 20 th century, the neo classical revolution in economics was complete.

What is most important, what is most important it is no longer political economy it is economics. Why is it economics? The best answer is found in Marshall, Marshall writes a very interesting book called Industrial Economy, Industrial Economics in collaboration with his wife Mary Marshall, where he says it is time to call this economics, because all public and political interest must be (( )) from the pursuit of economics; it has nothing to do with any party, it has nothing to do with political interests, it has nothing to do with any (( )) interest in other words, nothing political about it. It is a pure science, it is pure science of allocation of resources, it is a pure science of about (( )) scarcity resolved.

In short, economics in its modern terms and the modern universals of economics as you know it arrived in these 40 years. So, what was it that made for this success? The first of course was that, the one thing on which classical political economy was hanging on to all the time tenaciously and not very efficiently labour theory of value, it gave way at last.

The person, who probably (( )) most by labour theory of value was Ricardo. But, the person, who refined it to the finest possible extent, was Marx. But, either way by 1870's, the pre occupation of economics had become different. They were no longer concerned with labour theory they were concerned with exchange values.

We saw for instance that, the advent of Say, true people's peoples attention away from absolutes such as embodied labour and so on, and so forth. Any absolute value at all in economics was not taken seriously after Say. Say said it is an exchange value that is it, they are all there and you study how the system works on that basis.

So, labour theory of value was done with not so much as a tool of analysis, but with idea of some absolute that there must be some absolute indicator of value in economics that notion went with the eclipse of labour theory of value. And with the rise of this new brand of economics, which was concerned with (( )) and equilibria.

The second thing or the third thing is the absence of viable theory of income distribution in classical political economy. All of them were talking about landowners and capitalists and workers and almost all of them were preoccupied endlessly with wide labor was getting and should be getting only subsistence wage. By the time Mill was writing it had rigidified into wide there should be a single wage wage bill for the whole country.

In short, they were pre occupied tremendously with why labor should get subsistence wage, but they failed to ask what was rational of capitalists getting their profits, what was rational of landlords getting their rent. There was a quarrel between Malthus and Ricardo on that. Of course, on which Ricardo was categorical in saying that, it is only differential surplus that rent is, it does not figure in the cost of production. And therefore, it does not figure in the price and so forth.

In short, it is something like (( )) the landlords hold the land and for the privilege of holding the land, when there is growth in the economy, the rent increases and that what the landlord gets. So, there was no theory of distribution as to how a certain number of rupees of national income would be distributed into different people's share, what is that aggregate theory of distribution here, classical political economy lacked this.

Marx had a tremendous theory of distribution and Marx the theory of production and distribution went hand in hand. They were two faces of the same coin, you toss the coin, it falls on head it is theory of distribution, and falls on tails it is theory of production. That is how rigorous refined Marxist analysis war, but Marx was Marxism was facing its own problems slightly later. But, question at this point in time is, classical political economy (( )) Marx had no viable theory of distribution in that lead to loss of interest in that.

Finally, Marxism itself displaced a large part of classical political economy, although Marx was a classical political economist himself, but attention was drawn away from a whole lot of people including Ricardo and Malthus and even Smith. So, the rise of Marxism constituted a distraction away from (( )) classical political economy, especially older theories of growth and distribution.

And finally, the world of capitalists, the world of urban middle classes, which we are growing very strongly in the second half of 19 th century, the world of the urban (( )), who were all continuously feeling insecure by the growth of the workers moment across the world.

And there was an answer needed to the claims made by Marxism, which so fascinated everybody including the workers. You are getting 100 rupees that is because, that is what you can get under the exploitation by capitalists finished. Everybody, who is discontented whose disenchanted dissatisfied with that explanation that somebody is exploiting him.

Could there be a scientific theory outside of ideological (( )), outside of political implications, which could scientifically explain the occurrence of distribution of the income, there was a quest for this, and (( )) classical economics provided this; the marginal productivity theory of distribution provided this answer. So, this is another reason why, neo classicism was significant.

So, what was central in neo classical economics which made it so powerful and approach to economics, neo classical economists were not concerned anymore with growth distribution. They acknowledged that, these problems were important, but the central problem is the allocation of resources, how does it happen and what ensures efficiency.

And then, there were increasingly concerned with only one thing, they said even allocation of resources becomes secondary. It is the problem of studying, how human beings coped with scarcity, (( )) put the temper of the times very accurately when he said, economics is a relationship between ends and scarce means, which have alternative uses.

In other words, the whole pre occupation of the subject had narrowed down to this one single issue, which was virtually the paradigm of the whole subject. So in a sense, if universal was what economics was tending too, the paradigm of scarcity is the ultimate universal to which you could think in terms of.

And then, it had a very comfortable legacy from utilitarianism not just utilitarianism from the time of Galliano, Bentham, Dupuit, Cournot all of them were followers of utilitarianism of one variety or rather. Most important was the the idea of utility constituted the (( )) of the whole notion of not only demand, but also even supply. So, utilitarianism was not just a part of the conceptual framework of neo classical economics, but virtually became the creed.

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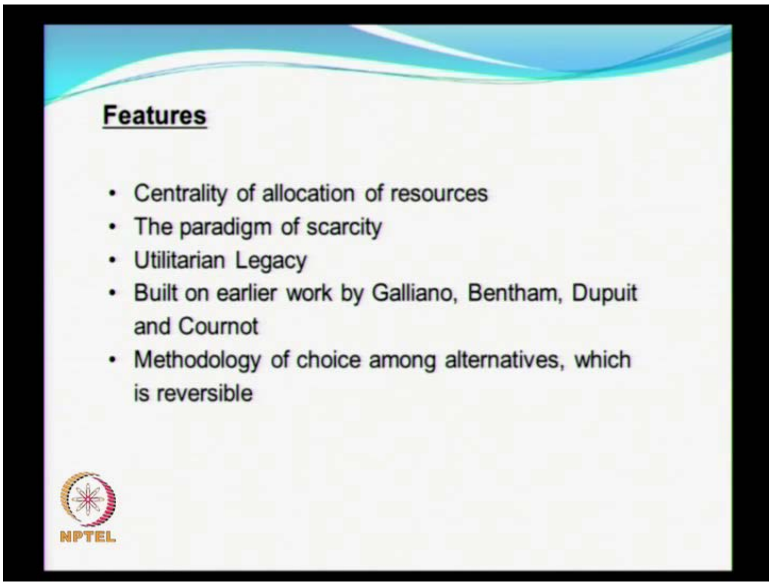

Finally, to look upon economic problem as a problem of choice among alternative uses of resources became central to this neo classical school of thought. By the time Marshall was writing 1895 and Marshalls principals were published, economists had come to accept that resources were not only usable among multiple wants, but they were substitutable to satisfy these (( )).

In short not just the problem of scarcity, but the problem of choice among alternatives a choice which is reversible. Because, if you made a mistake once you would do not need to make that mistake again; you could correct your choice, and make a better alternative better choose better alternatives the next time.

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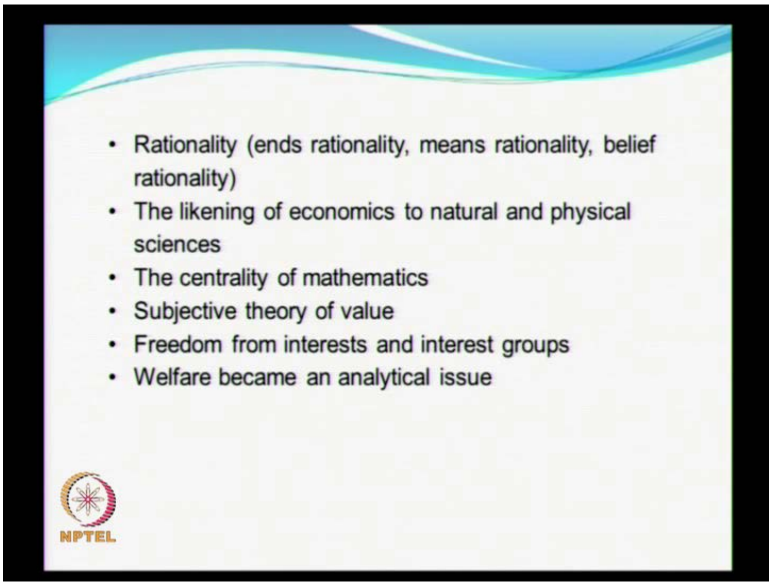

So and rationality, it is not that rationality was accepted as a single rule of (( )) by people economists Jevons for instance did not accept that, there was (( )) in people. There was concern for the others in people, but all these took a second place compared to the rationality in people. And this rationality was the tendency of people to maximize the returns under constraint.

This rationality acquired three meanings by the end of the 19 th century or by early 20 th century when by the time Marshalls (( )) in Cambridge was complete, these three types of implications of rationality became very uniform. One is, ends rationality that is I should achieve what I need to achieve at the shortest expenditure of resources that is under constraints, maximize your returns that ends rationality.

Means rationality is looking at the same thing in terms of cost saving, achieve something at the minimum cost is means rationality. And finally, that the whole choice behavior should be a part of a of a philosophical belief, which appears to be scientific. Rationality is accepted not just because, it is a good rule of thumb for maximization of returns or minimization of costs but also because, and it is scientific way of looking at things, so belief rationality.

So, by the time of the end of Marshalls (( )) in Cambridge, these three aspects of rationality had come to be accepted across the world by economists. What is more a number of early economists early marginalist or neo classical economists were also trained in mathematics; some of them like Jevons had been trained by people, who were excellent physicists, but greater mathematics too. So, all these inspirations late economists, who believed that, economics could be like physics, subject to universal loss, subject to rigorous mathematical analysis.

In short, economics was thought of as the physics of social sciences, this also came to be. So, even the mathematics at the time of Jevons and Walras was far too advanced for common people to follow, but by the time Fisher was writing Mathematics in America, lot of the mathematics written by Fisher was beyond the comprehension of most of his colleagues.

So, that was how central Mathematics became not so much, because Mathematics was functionally useful, Mathematics was functionally useful absolutely. But, more importantly Mathematics symbolized the idea that you were doing things scientifically that, you were rigorous and therefore, you were being scientific. So, mathematics became a kind of a value for economics. By 1920’s, this had come to be and by the time of writing of Fisher himself by in the 1930’s you had (( )) which were early econometrics in the writings of Fisher.

Finally, a theory of value which had nothing to do with absolutes, it was just a subjective theory of value. People are pleasure seekers, so when they consume objects, the objects have capability of satisfying the need for pleasure in the person, this capability is called utility, so subjective theory of value.

And interpersonal utility cannot become compared, your utility from eating one samosa is different from say (( )) pleasure from eating samosa you can not compare it, so subjective theory of value. And finally, as Marshall was to say economics had become liberated from the rule of interest groups and political interests and so forth, economics was a science.

And then, welfare was a first time after the writings of Pareto and Walras became central critic its not surprising that, Pareto succeeded Walras as a head in the in the what is that (( )) school no, what is the school in in Switzerland of which, Walras was heading it will come to me it will come to me. So, it was not an it was not an accident that Pareto succeeded Walras.

Because once again, how much of Walrassion thought was already in Pareto and how much of (( )) optimum was already in the writings of Walras. These are all border line areas, which are very distinct very difficult to distinguish from. But, what is most important is, the coming into existence of welfare economics brought into the reckoning in the subject, ways of judging effects on the public of policies of activities based on rigorous methodology.

So, you could analyze the welfare effects of a particular policy of a particular or a particular activity on the public or on the society using the same rigorous tools of analysis as you studied the market. So, this was the coming of neo classical economics and this was the revolution neo classical revolution.

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Now, let us look at developments that happened around this. Because while I said, neo classical revolution was complete by by 1920's, it is often truth when I say, if I were to say that, there is nothing more done after this. In fact, the paradigm of scarcity, the paradigm of efficiency and the use of Mathematics, they continue to create newer and newer and newer applications, newer and newer developments in the subject.

I will discuss with you, some of these developments. Let us, talk about Pigouvian externalities; do you know what externalities are? Avantika

Student: (( ))

Pigou was very tight when he argued this point, can you think of that it is very simple. In fact, I think one of you did mention it in an earlier class once. What about private and public, private and social (( )). So, what was what about that I mean, how it brings in externalities?

Student: (( ))

Then it is.

Student: (( ))

So, are all externalities only creating harmful effect

Student: (( ))

So, social (( )) can be both higher and lower than private (( )). The important thing is that, there is a difference between social and private (( )), (( )) by externalities know, this is Pigouvian externalities. Have I talked to you about Coasian externalities, I think I have (( )) you are tickled.

Student: (( ))

It does not matter from where what is (( )) theorem

Student: (( ))

Externalities happen

Student: (( ))

Excellent excellent. Did we discuss some example about this, I think this might have been an example given by (( )) himself.

Student: (( ))

That is externality in general. Krishna, you are saying something

Student: (( ))

Right lovely lovely, so what was this about?

Student: (( ))

Recovery of patients in the hospital. These are the services provided by the doctor basically. So, what was the issue here, both had proper titles to their properties again

Student: (( ))

So, what do you do about the loss?

Student: (( ))

Sure, why not? After all neo classical economics uses Maths that is what we have said. Yeah. All the time

So, if a (( )) gain in is 10 units from his activity which involves and the loss for the doctors for the corresponding (( )) is 25 units and and if the as the (( )) were property then, the doctor would be ready to pay the (( )) the amount of loss that, he would have to (( )) for (( )) gain that he would forgo in order to (( )).

What is that amount called?

Student: Is it not called compensation?

Compensation

So, it is not so much the tight definition of property loss, but it is the payment of composition for inconvenience incurred is it not. Because, the whole examples of (( ))

repeatedly come and tell you, they are all from court disputes in the US all his data. So, what he is saying is, you might have the (( )) well defined control over your property; you might say I have this, I have that, I have this, but still when you start using this property, you might start creating hindrance to somebody else without intending to do so at all.

So, he says it is inherent in property that it need not always be used without a social (( )). What is important is when there is a hindrance, compensation should be paid by the person who creates the hindrance, then the problem is solved. So, the determination of this compensation is what the (( )) cost is all about know, but it is not all that simple. How do you decide the compensation, Mani?

Student: (( ))

Okay

Student: (( ))

See, what you are saying is something like what avantika said, she said I have cost you 15 rupee damage for my 10 rupee profit. So, I have to whether I am making a loss or a profit, I had to give you 15 rupees as a compensation for the damage that you suffered right.

I am saying is there all there is to that in social (( )) is there something more. Who decides the compromise, who tells you what the compensation should be, where do you go to resolve that?

Who how many

Student: (( ))

How do you mean (( ))

Student: How do market (( )) is what I am asking you

But, you know it will happen like this, I will tell you. You are the doctor and I am the baker let us say and you come to me and say, hey baker baker I have lost 15 bucks, because of you and I say, doctor doctor how did you lose 15 bucks. And then you say well, you know you started pounding the (( )) to make (( )) and then one of my patients breathes his last in the intensive care ward and that cost me 15 rupees. So, oh and I say, how sad poor thing my my condolences. So, then you say, hey baker I do not want your condolences I want a bit more than that and then I say, because I sense what is coming, really you want something more than that then yeah.

I want 15 bucks, because I have suffered a loss of 15 bucks, because of all the trouble that your pounding machines have created; now you better give me 15 rupees. Now, I am not so much interested in condolences no, I am interested in saving my 15 bucks I say, no no no why should I give you 15 rupees.

How do you know your patient did not die out of any other reason, how do I know that you did not neglect them. How do I know that he did not jump of the window, I did not know anything about how your patients died, why should I give you 15 rupees. Now, at this point tell me avantika, how does market resolve this.

Student: (( ))

No, the doctor wants 15 bucks.

Student: No, I am saying that

The baker has to pay 15 bucks.

Student: Yeah but, he is willing to compensate the baker for (( )) he in future at least would shut down right that is the (( ))

That is not 15 bucks. So, he has to buy up the baker, the baker has to relocate.

Yeah

Is it not, it might be possible it might be possible. What you are saying is that, doctor might say well look I am suffering 15 rupee loss. So, well I know that, he paid 100 rupees for this plot of land I will give him 115 rupees to cover up the whole problem. That is what you are saying, the market provides enough indicators.

Student: (( ))

Do they go to a court, are there laws of compensation which they follow, do they engage a lawyer to negotiate on their behalf, are there judges in the court who administer justice who pays the salaries of all these people, who pays the training of all these people?

Student: (( ))

No, you can not have extra cost I mean not extra cost and yet have allocation. Somebody has to pay for the training of the judge. Somebody has to pay for the legislators making the legislations for making the laws. Somebody has to pay for all the paper on which it is printed. Somebody has to pay for the nearest police station, where you can lodge a complaint you know.

In other words, these are all called Coasian transaction costs, is it not? So, the society as a whole its true that, the market can take care of Coasian transaction cost, but the society has to provide for these costs, and they can be recovered from the market through the process of taxation, am I right. So, this is Coasian externalities, which are very different from an externality of the Pigouvian variety.

Coasian externalities are institutional, they are defined around the institutional property and the political and economic institutions that govern the country know. This is another extension of neo classical economics happening as far away as 1960, not just Marshalls time, but 1960 Robert Coarse (( )) who writes about this.

Then pricing of utilities we have talked about one pricing of utilities already, do you recall last week, there was even a diagram (( )) (( )) you remember Dupuit is the Frenchmen. How do you price, how do you charge a tariff on people who want to cross a bridge you do not remember this, I even had a nice little drawing I (( )) well anyways. So, Dupuit was very early in discussing pricing of utilities.

In other words, how do you price utilities, so that the social gain is a maximum and Dupuit said that, if you price it according to marginal utility because marginal utility declines as people used it more and more as the price keeps falling with marginal utility, the social gain net social gain from public utility will be the highest; because, that is like a rent consumer surplus, people did not know about consumer surplus, but it is amounts to that, the social consumer surplus.

So, the earliest utility pricing was a marginalist explanation is what I am trying to say. Much later, the subject (( )) (( )) with the 1970's, there were theories of utility pricing which says, you must price it according to marginal cost or you must price it according to average cost or you must price it according to marginal cost plus margin.

All kinds of theories including in the 1990's, the Indian econometrics association, there was a fascinating paper which was a computer simulation model on all kinds of factors which influenced utility prices; and how the tariff will change, if you keep changing and fiddling around with all these other factors. So, it did not even have marginal cost marginal revenue.

So, utility pricing became a big issue. Things like electricity pricing, how do you charge people for electricity, how do you charge people for using a public transportation system; how do you charge how do you charge people for using highways, how do you determine the toll and so on. So, it is a big issue all of them became laterally developments of neo classical economics.

But, you know the earliest version of this is by Dupuit. Then have you heard of shadow pricing, you have I am sure. What is that got to do with planning because, that is a planning shadow pricing.

Student: (( ))

Shadow pricing deals with precisely how you fix this cost, it is not real it is a virtual cost. How do you fix it? Great example, the government for insurance purposes on agriculture suppose, wants to create an insurance policy for farmers. So, they want to determine the cost of growing paddy and earnings from growing paddy, so that they can estimate net returns, and there also the risks attached to it and therefore, determine some premium.

So, in estimating the cost of cultivating paddy, they may simply ask how many people did you hire from the market for working on your farm, the (( )) might say well 10 people at 100 rupees (( )) say 1000 rupees. Another person might say, sir I hired ten people at 100 rupees (( )), but I did 20 days of work myself me, my wife, my family did it.

So, 20 days of three people is 60 days of work and 100 rupees at 6000 rupees, but putting that 6000 rupees on the value of their service is shadow price. That is you fix a value on a non market transaction as if it is a market transaction, so that you can account for it right. That is what planning is all about, there are many there are many times when you can not use actual market prices for doing proper planning estimates, you got to have shadow prices and so, shadow pricing is a important part of planning.

Although, planning is a non market activity, the whole derivation of shadow prices is a market based activity, so that is again a very interesting area. Then economics of political and social institutions is a huge (( )) Gary Becker has a lovely paper, which became immensely popular economic theory of marriage, immensely popular.

Gary Becker in University of Chicago is also known as Professor of Sociology, because he explains a lot of sociological phenomena through utility maximizing paradigm constraint maximization. So, Gary Becker has talked about marriages and divorces he is talked about crime, he is talked about justice. Everything (( )) is a utility maximizing exercise if you look at it that way.

So, (( )) had a theory of economic regulation with interest group. He says (( )) how does a government create a policy of regulation and he says, the policy of regulation is created, because some people are (( )) that regulation they are lobbing for it. So, they catch hold of the nearest legislator, whom they can get hold of and pursue him and pursued him that he should campaign for them in the senate; and the legislator himself is interested in doing this, because he might get a little trade off in the process.

So, the legislator is gaining some payment he is expanding his effort in campaigning for a particular legislation and eventually, when the legislation happens, the interest of the people who are looking for this legislation are benefitted. So, each one is trying to maximize his gains from a particular activity, but regulation economic regulation happens as a process of this. So, this is the economic theory of regulation by George Tickler.

In 1996 I think there was a paper in if you cared to look for it, there was a paper in journal of quantitative economics, which comes out of (( )) school of economics called a theory of quasi autonomous state; which went much further than Tickler and said that, the state under the influence of interest groups had gains to make or were were was determined decisions, it is decisions were determined by various interest groups through lobbing activity. So, members of the state made money in creating legislation and had to make compromises in the process of making legislation.

So, eventually the state itself is not autonomous from the market, the state itself is a little bit of the market. So, bargaining and negotiating across the board often times relate to state creating legislation, but this happens almost as if it happens in the market; and here the state is not autonomous, but only quassi, it appears to be autonomous from the system which actually is very much part of the system. So, this is the paper in that with journal at that time.

Point I am making is the whole lot of issues, which are institutional, which are politically institutional, which are social all of which are now coming within the ambit. For example, cooperation is a major issue studied under constraint maximization exercise under what conditions can two people cooperate in a competitive situation.

So, what are the gains if we cooperate, what are the gains, if we compensate (( )) we compete? If the gains of cooperation are higher than the gains of competition then, we draw that cooperate. Then, how long will we cooperate again that depends upon the, how what is the time periodicity of the gains from cooperation.

In short, again constraint maximization takes you to decide how people cooperate, how people collude and so on and so forth. Others, study the (( )) to say, how do village communities operate, what is the secret of cohesiveness of village community. These communities seem to have strong rules which they follow, there is strong discipline and therefore, very little of quotient transaction costs right. Hardly any money is spent on constituting the judiciary the stag, but the community seems to work very well.

So, number of studies of such communities were increasingly mathematically made till finally, people came to an understanding that, the size of the community had something to do with how effective the communities were; the smaller the community, the more cohesive they were therefore, more effective in this way. The larger the communities, the less effective they were in this way. So, again the size of factor is important.

I am suggesting all these things to you because since the time of Marshall, neo classical economics has applications of a constraint maximization exercise have gone a long long way. However, this constraint maximization approach again has two components, one the Walrassion component which is general equilibrium, and the Marshallian component which is partial equilibrium.

Most macroeconomic policy studies which are not (( )) assumed that, there is some general equilibrium in the background and they work on that assumption. If I remember, I had even told you once that, one of the Indian plans the Tenth Five-Year Plan I think was had something like 70 or 80 sectors in a computable general equilibrium frame. So, it has tremendous applications again across the place.

All this growth was a period also hampered by the development of another kind of universals, another kind of theory by 1920’s it appear to the western world that markets had failed. They were so many (( )) happening in the 1920’s not that, they did not happen earlier for instance between 1879 and 80 to about 1895; there was a continuous period of crisis in the west, which was called a great depression. But, quite I said from all that, it is in the 1920’s that it appeared to people that the markets have failed.

Then people were looking for an alternative way of looking at economic processes and a new discipline was found, modern macroeconomics neither general equilibrium nor partial equilibrium appear to give you a substantial answer to many questions, which were raised in areas where the market seemed to have failed.

So, from 1920’s came debates initially based on things like gold standard; but substantially later looking at policies, then interventions by government which would stabilize the economy during times of under employment, during times of inflation in other words, the whole focus of economics shifted in the 1930’s between 1925 and the late 30’s from partial equilibrium and general equilibrium to macroeconomics; and the founder of which branch had that time was John Maynard Keynes.

So, on Saturday we shall look at (( )) universals, and how they came to rule the thought of not just Cambridge England, but lot of England and almost all of Europe up to 1960’s; and it looked as if from the 1960’s Keynes was no longer relevant, the non Keynesian pro neo classical group appear to succeed. But, once again with the crisis of US recently in the last 5, 6 years and the crisis of Europe along with it and Japan, it looked as if more and more significantly people are thinking on Keynesian lines. So, let us look at that in Saturday, we are done for today.