

[6]

Of the Causes of Improvement in the productive Powers of Labour, and of the Order according to which its Produce is naturally distributed among the different Ranks of the People



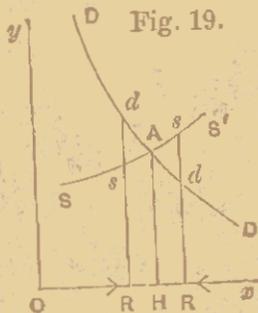
The greatest "improvement" in the productive powers of labour, and a greater than R_s the supply price, the production will be profitable, and will be increased. R , the amount of labour, will move to the right. On the other hand, if R is less than R_s , R will move to the left. If R_d is that is, if R is vertically under a point of intersection of the demand and supply curves, demand and supply are in equilibrium.

JOURNAL OF THE HISTORY OF ECONOMIC THOUGHT

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the person holding the string swings the hand...
 y rhythmical and partly arbitrary, the illustration will
 the difficulties of some very real and practical problems
 For indeed the demand and supply schedules do not

V. I. 1. To represent the equilibrium of demand and supply geometrically draw the demand and supply curves together as in Fig. 19. If then the rate at which production is being actually carried on, and R_d the amount of labour, is greater than R_s the supply price, the production will be profitable, and will be increased. R , the amount of labour, will move to the right. On the other hand, if R is less than R_s , R will move to the left. If R_d is that is, if R is vertically under a point of intersection of the demand and supply curves, demand and supply are in equilibrium. We take as the typical diagram for stable equilibrium a commodity that obeys the law of diminishing returns. If we had made SS' a horizontal straight line, we presented the case of "constant return," in which the return is the same for all amounts of the commodity. If SS' inclined negatively, but less steeply than D , the necessity for this condition will appear more fully later on), we should have a stable equilibrium for a commodity which obeys the law of increasing returns. In either case the above reasoning remains unchanged without the alteration of a letter; but the last case introduces difficulties which we have arranged



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JOURNAL OF THE HISTORY OF ECONOMIC THOUGHT

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Articles

- 2018 HES Presidential Address: Folk Wisdom in Economics
Evelyn L. Forget 1
- Altering the Pattern of Trade in the *Wealth of Nations*: Adam Smith
and the Historiography of International Trade Theory
Reinhard Schumacher 19
- John Stuart Mill and the Irish Land Question: An Illustration of
His View on Social Institutions
Laura Valladão de Mattos 43
- Economic Analysis of Education in Post-war America: New Insights
from Theodore Schultz and John Kenneth Galbraith
Alexandre Chirat and Charlotte Le Chapelain 61
- E. L. Smith's Enduring Contributions to Financial Economics
J. E. Woods 79
- Milton Friedman in Chile: Shock Therapy, Economic Freedom,
and Exchange Rates
Sebastian Edwards and Leonidas Montes 105
- ## Book Reviews
- Jeffrey Sklansky, *Sovereign of the Market: The Money Question
in Early America*
Howard Bodenhorn 133
- William Deringer, *Calculated Values: Finance, Politics,
and the Quantitative Age*
Marcel Boumans 136
- Ivan Moscati, *Measuring Utility: From the Marginal Revolution
to Behavioral Economics*
Bert Mosselmans 138
- Sheila Dow, Jesper Jespersen, and Geoff Tily, eds., *Money,
Method and Contemporary Post-Keynesian Economics*
J. E. King 141

Warner Max Corden, <i>Lucky Boy in the Lucky Country: The Autobiography of Max Corden, Economist</i> Harald Hagemann	143
Arthur M. Melzer and Steven J. Kautz, eds., <i>Are Markets Moral?</i> Mark D. White	147
David Colander and Craig Freedman, <i>Where Economics Went Wrong: Chicago's Abandonment of Classical Liberalism</i> Roger E. Backhouse	149

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