

[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 is profitable, and will be increased. R , the amount—may call it, will move to the right. On the other hand is, if R is vertically under a point of intersection of the curves, demand and supply are in equilibrium.

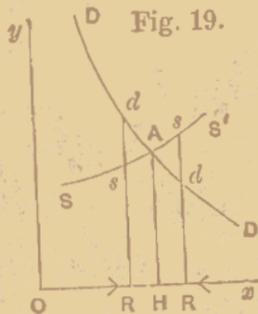


JOURNAL OF THE HISTORY OF ECONOMIC THOUGHT

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the person holding the string swings his hand in a rhythmical and partly arbitrary, the illustration will show 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 supply price, the production is profitable, and will be increased. R , the amount—may call it, will move to the right. On the other hand is, if R is vertically under a point of intersection of the 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 DD' (the case of increasing returns will appear more fully later on), we should have a stable equilibrium for a commodity which obeys the law of increasing returns. In other cases the above reasoning remains unchanged without the alteration of a letter; but the last case introduces difficulties which we have arranged



may happen they have and commodities are not satisfied with Of course and Non-influences of which persist and Non-broadened § 7. with in

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