LP 7: Macro aspects of Replacement

J M Clark. Accel. Princ.

L = Life

N = No. of units

D = Demand for units, as cap. value (not annual value)

R = replmt. ea. yr. $= \frac{N}{L}$

Let demand rise from N to $(N+1)$. The % Δ is $\frac{1}{N}$. The $\Delta = 1$.

But the % Δ in prodn. is $\frac{\Delta N}{N/L} = \frac{L}{N/\Delta N} = \frac{L}{N}$

an Δ_2 fn. of L, for any N. (Exercise the N!)

J. M. Clark said:

If x% is replaced ea. yr., then an increased total need calls for Δ current output of $\frac{\Delta x}{x}$

Stock = $\frac{1}{x}$?

L = life — e.g. 50 yrs.

%R = replmt. = $\frac{1}{L}$ — e.g. $\frac{1}{50}$ per yr.

N = no. of units = cL

R = replmt demand = N × %R = cL · $\frac{1}{L}$ = 1 × c = c

(D = total demand = $N \frac{i}{1 - e^{-iL}}$)

% Δ D = $\frac{\Delta D}{D}$

(11)

Cecil Hansen, 7 P&BC, to

Those who discern widening &

deepening w/o ~~[illegible]~~ seeing

c.t. prin.

Hansen borrowed term & his

ignorance from Hawtrey.

Hicks J.R. Value & Capital 2d Ed. Oxford, Clarendon Press, '46

1st published '39

Chaps. XV - XVII Plays around w. Böhm-B. & Wicksell, condescending manner, scholarsmanship. Seems to agree w. Knight. — might be so claimed. anyway, misses esp. turnover princ. entirely, despite intimacy w. relevant writs.

Inflm. may reduce bias in credit rationing, by raising prime rate. (Also reduces risk for many marg. borrowers.)

Book I, Market Mechanisms and Full Employment

B, Aggreg.

Part A, ~~Variable Proportions~~

~~Ancient, obvious relation, found t ec. opp.~~

Part A Deals w. produ. ec. & distr. & cap. thy.

Not on indiv. firm level, or partial eq. But for whole ec. Is then macro in every sense except aggr. s & d.

This is missing from most macro. anal., except for lip service. Hung up on wage-price spirals. Fixed mix of labor thy.

('Structuralists' haven't gotten into depth.)

Labor unempl. is special problem, too. Land unempl. no problem, so long as it is subempl. But price of labor is not only cause of labor unempl.

Some macro zealots disfavor wage cuts anyway, as reducing demand. Vicious spiral either way, up or down. Only solve by d G.

Housing as e.g. where i is more impt.

Use this

Austrian capl. thy. stresses how you modify products, i.e. capital's life, to change factor mix.

Ludd stresses modifying processes, i.e. machines for men.

High int. wd. operate both ways. Machines last shorter; but also, fewer machines, more direct labor, services,