

NATURAL ECONOMIC THEORY

*New general economic theory,
of positive nature
and global scope*

GONZALO PÉREZ-SEOANE

Natural Economic Theory

Gonzalo Pérez-Seoane

Natural Economic Theory

New general economic theory,
of positive nature and global scope



Copyright notice: No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage and retrieval system, without permission in writing from the publisher. The infringement of the aforementioned rights may constitute a fault against intellectual property (Art. 270 and following of the Penal Code).

Natural Economic Theory
New general economic theory, of positive nature and global scope

© Gonzalo Pérez-Seoane, 2021

© Translation: Gonzalo Perez-Seoane, 2021

© BibliotecaOnline SL, 2021

Avenida de Atenas 33

28290 Las Rozas Madrid

(España)

Style correction: Richard John Maher

First Edition: April 2021

ISBN: 978-84-17539-46-7

Cover design: BibliotecaOnline SL

Composition: BibliotecaOnline SL

Printing and binding: Podiprint

Printed in Spain

Index

PREFACE	11
I. THE HUMAN BEING: THE HEART OF THE ECONOMY	11
II. ECONOMICS IS A POSITIVE SCIENCE	12
III. THE KEY TO UNDERSTANDING THE ECONOMY: "PRICES"	12
CHAPTER I	
METHODOLOGICAL STRUCTURE	15
I. METHODOLOGICAL STRUCTURE	15
II. THE ORIGIN OF NATURAL ECONOMIC THEORY	16
III. SCIENTIFIC CONVERGENCE	17
CHAPTER II	
PRICE THEORIES.....	19
I. INTRODUCTION	19
II. PRICE THEORIES	19
III. THE CLASSICAL SCHOOL	20
IV. THE MARXIST ECONOMIC SCHOOL	21
V. THE NEOCLASSICAL SCHOOL: PROS AND CONS	22
VI. THE RUPTURE WITH THE CLASSICAL PARADIGM	24
CHAPTER III	
THE MISSION OF THE ECONOMY.....	27
I. SMITH AND THE LABOR STANDARD OF VALUE	27
II. HUMAN LABOR AND ITS VALUE DIMENSIONS	28
III. THE INTRINSIC VALUE OF LABOR: THE MISSION OF THE ECONOMY	29
IV. NORMATIVE ECONOMICS AND POSITIVE ECONOMICS	30
V. NORMATIVE ECONOMICS	30

VI. POSITIVE ECONOMICS	32
VII. THE MISSION AND THE FORMAL OBJECTIVE OF THE ECONOMY	33
VIII. SUMMARY	34
CHAPTER IV	
THE NATURAL PRICE THEORY	35
I. THE ECONOMY IS A HOLISTIC SYSTEM	35
II. THE PRINCIPLE OF DEPENDENCY	35
III. THE PRINCIPLE OF GROWTH OF THE HUMAN SPECIES	36
IV. THE PRINCIPLE OF ECONOMIC RATIONALITY	37
V. HUMAN ECONOMIC BEHAVIOR: THE NATURAL RULE	39
VI. THE COST OF PRODUCTION THEORY OF VALUE	41
VII. HUMAN RATIONALITY IN ECONOMIC THINKING	42
VIII. THE NATURAL LAW OF THE ECONOMY	43
IX. DYNAMIC MARKET COMPETITION	43
X. MARKET FREEDOM	45
XI. SUMMARY	46
CHAPTER V	
THE NATURAL THEORY OF LABOR.....	49
I. INTRODUCTION	49
II. HUMAN LABOR: PRIOR CONSIDERATIONS	49
III. LABOR MARKET STRUCTURE	52
IV. THE SUPPLY OF LABOR	52
V. THE DEMAND FOR LABOR	55
VI. SALARIES	56
VII. THE LABOR MARKET AND ECONOMIC EQUILIBRIUM	60

VIII. THE ECONOMY PRICE SYSTEM	62
IX. THE CONTRACTUAL LABOR FRAMEWORK	65
X. THE CONFLICT BETWEEN HUMAN CAPITAL AND CAPITAL	67
XI. THE PRODUCTIVITY AGREEMENT	68
XII. SUMMARY	73
CHARTER VI	
THE NATURAL THEORY OF MONEY	75
I. INTRODUCTION	75
II. THE ORIGIN OF THE INTEREST RATE	75
III. THE DEFINITION OF THE MONEY MARKET AND THE INTEREST RATE	76
IV. FISHER ON RISK AND THE DIVERSITY OF INTEREST RATES	81
V. THE INTEREST RATE, THE PURCHASING POWER OF MONEY AND INFLATION	83
VI. A HYPOTHESIS ON THE VARIABLE NATURE OF THE INTEREST RATE	86
VII. MONETARY POLICY AND INTEREST RATES	89
VIII. MONEY MARKET EQUILIBRIUM	91
IX. THE YIELD CURVE	94
X. IMPLEMENTATION OF MONETARY POLICY	96
XI. THE MONETARY OPTIMUM	98
XII. THE NATURAL MONETARY RULE	99
XIII. FISHER'S EQUATION OF EXCHANGE, REFORMULATION	100
XIV. THE RIGHT TO CREDIT: A UNIVERSAL HUMAN RIGHT	101
XVI. SUMMARY	103
CHAPTER VII	
THE NATURAL THEORY OF CAPITAL	107
I. THE TRUE REVOLUTION OF KEYNES	107

II. THE BALANCE OF FINANCIAL POSITION OF THE ECONOMY (EBAF)	110
III. THE INVESTMENT, FINANCE AND REMUNERATION POLICY	113
IV. THE BLACK AND WHITE EFFECT	117
V. THE INVESTMENT MULTIPLIER	117
VI. SUMMARY	118
CHAPTER VIII	
THE NATURAL THEORY OF PURCHASING POWER	121
I. SAY'S LAW	121
II. KEYNES AND SAY'S LAW	122
III. KEYNES' PROPENSITY TO LIQUIDITY THEORY	124
IV. THE GAP BETWEEN SAVINGS AND INVESTMENT	125
V. THE NATURAL THEORY OF PURCHASING POWER	127
VI. SUMMARY	129
CHAPTER IX	
THE ECONOMIC FUNCTIONING	131
I. INTRODUCTION	131
II. THE ECONOMIC FUNCTIONING	131
III. MARKET EQUILIBRIUM AND ECONOMY EQUILIBRIUM	133
IV. SUMMARY	134
CHAPTER X	
NATURAL RESOURCES	135
I. INTRODUCTION	135
II. NON-RENEWABLE NATURAL RESOURCES	135
III. RENEWABLE NATURAL RESOURCES	137
IV. GOLD	137
V. ECONOMY AND ECOLOGY	139

VI. SUMMARY	139
CHAPTER XI	
THE FOREIGN TRADE.....	141
I. FOREIGN TRADE THEORIES	141
II. COMPARATIVE ADVANTAGES VERSUS COMPETITIVE ADVANTAGES	143
III. PRODUCTIVITY AND FOREIGN TRADE	144
IV. SUMMARY	147
CHAPTER XII	
THE FINANCIAL MARKETS.....	149
I. THE EXCHANGE RATE MARKET	149
II. THE STOCK MARKET	153
III. THE BOND MARKET	155
IV. THE REAL ESTATE MARKET	156
V. THE NATURAL SYNTHESIS	157
VI. SYSTEMIC RISK - NON SYSTEMIC RISK	159
VII. SUMMARY	159
CHAPTER XIII	
THE ECONOMIC GROWTH	161
I. THE THREE PILLARS OF ECONOMIC GROWTH	161
II. NATURAL GROWTH OF THE POPULATION	161
III. PRODUCTIVITY	163
IV. WORLD POVERTY AND INEQUALITY	165
V. EXPECTATIONS AND ECONOMIC GROWTH	167
VI. SUMMARY	168

CHAPTER XIV	
INFLATION: ORIGIN AND GLOBAL DYNAMICS	169
I. THEORETICAL APPROACH	169
II. THE ORIGINS OF INFLATION	170
III. THE DOMESTIC DYNAMICS OF INFLATION	179
IV. THE EXTERNAL DYNAMICS OF INFLATION	183
V. INFLATION FORMULATION	187
VI. SUMMARY	187
CHAPTER XV	
THE INTERNATIONAL MONETARY SYSTEM:	
SHOULD IT BE REFORMED?	189
I. DOLLAR, THE WORLD RESERVE CURRENCY	189
II. THE SUBPRIME CRISIS AND IMS REFORM	190
III. PROPOSALS IMS REFORM	192
IV. THE WORLD GOLD COEFFICIENT (WGC)	195
CHAPTER XVI	
ECONOMIC FREEDOM AND EQUALITY	201
I. ECONOMIC FREEDOM	201
II. ECONOMIC EQUALITY	202
III. THE FUTURE OF THE ECONOMY	203
INDEX OF ECONOMISTS	205
BIBLIOGRAPHY INDEX	209

PREFACE

Natural economic theory is a new *general theory* of economics. It is a theory of general equilibrium, positive in nature and global in scope.

The Natural theory brings together the theories and hypotheses of many leading economists most notably Smith, Marshall, Keynes, and Fisher. Thus, Natural theory is an intellectual development directly linked to the Classical school and the Neoclassical school. There are also some interesting contributions from the Austrian school, the Cambridge school and the French school.

The Natural theory covers the main variables of the economy and their relationships. Central to all this is the new underlying price theory, the *natural price theory* which is slightly different to the current price theory. The natural price theory permits an explanation of the behavior among all the variables of the economy from the same theoretical and empirical position.

Despite the scope of the subject, three characteristics furnish this theory with a framework and distinguish it from other existing or earlier theories.

I. THE HUMAN BEING: THE HEART OF THE ECONOMY

The Natural theory affirms that human beings, and their full development in freedom and dignity, are the origin and center of the economy. Human beings are not only the beneficiary of the world's riches but the key element in the economic process and the creation of wealth. Human beings are the treasure of the economy. Every woman or man who comes into the world increases the richness of the human condition and contributes directly to the economic wealth. Existing economic wealth derives from human productive and creative capacity.

II. ECONOMICS IS A POSITIVE SCIENCE

The Natural theory affirms that economics is a *Positive Science*, as Friedman intuited in 1953¹. Macroeconomic performance can be positively verified in its entirety at the domestic and global level.

The empirical evidence presented on the different variables of the economy show a varying degree of certainty about the functioning of the economy. In some economic variables this certainty is high; in others it is not so high. In any case there is enough certainty to construct a new theory of general equilibrium. The body of evidence presented and the underlying theoretical and empirical unity, allow us to affirm that economics is a Positive Science, although not an exact science.

Economics as a Positive Science is based on three principles arising from the free and intelligent action of human beings: *the principle of necessity, the principle of natural growth of the human species, and the principle of economic rationality*. The three principles are universal, and can be grouped under the term *the natural law of the economy*.

Given that the economy is governed by three universal principles, economic activity can be defined as *holistic*. In other words, the economy is a system of interrelated productive and monetary markets that seek equilibrium on an ongoing basis. A natural and "spontaneous" economic equilibrium (Hayek²).

III. THE KEY TO UNDERSTANDING THE ECONOMY: "PRICES"

The Natural theory affirms that the key to gaining an understanding of the economy functions is "prices". This hypothesis

1 FRIEDMAN, M., (1953), *"The Methodology of Positive Economics"*, University of Chicago Press, pp.3-16, 30-43

2 HAYEK, F., (1976), *"Law, Legislation and Liberty"*, Chapter 2 entitled *"Cosmos and Taxis"*. According to Hayek, society is an order and this order can be *spontaneous or artificial*. Spontaneous orders are self-regulating or autogenous systems (they generate themselves): *kosmos*. Artificial orders are regulated by a creative and exogenous intelligence: *taxis*. Artificial orders are simple or limited to the intelligence of their author. Spontaneous orders are born from the subordination of their elements to certain norms, *"as their reaction to the environment that surrounds them."* Those rules need not be known; it is enough that the elements that make up the order behave according to them, giving rise to regularities.

was already proposed by Walras³ and Bertrand⁴. In addition, as Marshall points out, "quantity" must be considered, although not as a universal paradigm.

To use a metaphor, it could be said that just as the cell or minimum living particle of the human being contains exact information about all the processes that define the human body; so each price of the economy contains relevant information on the functioning of the economy. To decipher the information contained in prices is to decipher the economy itself.

3 WALRAS, L., *"Éléments d'économie politique pure (1874-77; Elements of Pure Economics)"*

4 BERTRAND, J., (1883), *"Book review of Theorie mathématique de la richesse sociale and of recherches sur les principes mathématiques de la theorie des richesses"*

CHAPTER I

METHODOLOGICAL STRUCTURE

I. METHODOLOGICAL STRUCTURE

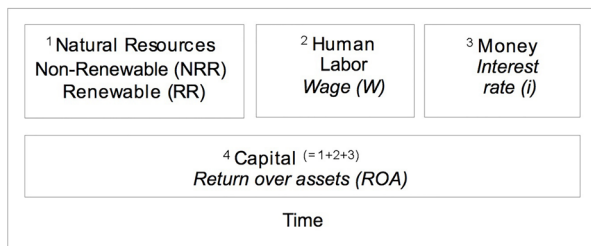
Any attempt to understand the functioning of the economy may be condensed into three interrelated questions: What is the cause of human economic activity? What causes such activity to increase or decrease? How is the exchange value determined?

The answers to these three questions in the history of economic thought are diverse; the third question being the most complex. This is a debate which remains unfinished as of today.

For the Natural theory, an explanation of how the exchange value is determined is fundamentally to speak of "prices". Therefore, it is necessary first of all to determine the key prices of the economic process. Petty and Cantillon's enumeration of the factors of production as "land, labor and capital" is well known. For the Natural theory, the economy is made up of three basic economic elements and their respective prices: *human labor, money and natural resources*. However, in addition, it is necessary to consider a fourth economic element, *capital*. Capital, though not a basic economic element, since it is a product of the economy, requires a special treatment as Keynes perceived. The iteration of these four factors over time generates and expands the economy of yesterday, today, and all times.

To decipher the functioning of the economy involves: i) determining how the prices of the three basic economic elements and capital are fixed, ii) how they are related to each other, and iii) the cause of their variation over time. The methodological structure of this theory reflects what has been expressed above.

Basic Economic Elements and Capital



II. THE ORIGIN OF NATURAL ECONOMIC THEORY

The Natural theory differs in origin from the traditional scientific method. This theory commenced with a fortuitous empirical finding in 1998. Over the years, the possible economic behavior was completed in a positive way and, later, the most plausible theoretical explanation was added. Thus, the Natural theory is the inductive interpretation that has been established based on the empirical evidence obtained about the functioning of the economy.

The methodological construction of the Natural theory can be briefly and didactically expressed as a tree. A tree that is symmetrical in its sides and branches. The left side contains the empirical knowledge obtained on the key variables of the economy, ordered according to their productive or monetary nature. The right side expresses the inductive interpretation that emerges from the left side. The most important part of the tree is the trunk. Here we find the necessary tautologies and/or central axioms that govern economic behavior, axioms that connect the entire tree in a positive way. The point where the trunk meets the branches is the heart of the economy. The sap that passes through the tree is the *natural price theory*; which allows us to explain the operation of the entire tree based on a single rational intellectual hypothesis.

III. SCIENTIFIC CONVERGENCE

Science is a dynamic and pyramidal process of accumulation of knowledge arising from the wisdom and experience of many people. One scientific truth is the basis and support of the next, so all truths are united in an ever unfinished process. Thus, in Economic Science, any new theory that emerges with the intention of being a better explanation of reality cannot ignore the immense and brilliant legacy that precedes it.

The Natural theory ratifies or validates, in whole or in part, innumerable theses, hypotheses and considerations of prestigious economists of the Classical school, Neoclassical school, the Austrian school, the Cambridge school and the French school. This intellectual convergence does not contradict any of the three characteristics previously mentioned: i) *the human being as a central element of the economy*, ii) *Friedman's hypothesis of the positive nature of the economy* and iii) *the natural price theory*.

CHAPTER II

PRICE THEORIES

I. INTRODUCTION

The history of economic thought can be explained by the generic statement: *price theories*. An unusual epigraph, although it was chosen by Keynes in his *General Theory* as being more suitable than those used in other treatises on economics under the name of *value theories*. For the Natural theory, price theories are the key to opening the door to understanding the economic phenomenon.

II. PRICE THEORIES

Any price theory tries to explain, directly or indirectly, partially or totally, three interrelated questions: i) how prices are set, ii) how they are related to each other, and iii) why they vary over time.

Cantillon, Smith, Ricardo, Bertrand, Walras, Jevons, Menger, Marshall, Cassel, Fisher and Keynes are the names behind the history of prices. All of them, in one way or another, made the smallest particle of the economy a critical element of their research. What moved all these brilliant economists to direct their thoughts to the same goal?

The main price theories that have survived to this day are: *the theory of labor as the absolute standard of value* of the Classical school; Marx's unnatural *theory of labor as the standard of value*; *the marginal utility theory* (marginalism) with Jevons, Menger, Walras; and finally, Marshall (a continuation of Jevons), who with his *partial equilibrium model* gave rise to the Neoclassical school⁵.

5 In strict (academic) terms the Neoclassical school runs from 1870-1920. However, for Natural theory the main difference between economic schools is due to their price theories. Thus, in this treatise when we speak of the Neoclassical school, we refer to all the intellectual development from Marshall to the present time that shares in the paradigm of the *partial equilibrium model*.

Of the above mentioned price theories, two of them are the central paradigm of the two main economic systems that have existed and governed the world in the last hundred years, *marxism* and *capitalism*. Thus, to speak of price theories is to speak of *Marxist economic doctrine* and *Neoclassical doctrine*. But to get this far, we must first discuss the Classical school. Here the first price theory was born and it has left its mark on multiple aspects of later economic thought.

III. THE CLASSICAL SCHOOL

The *theory of labor as the absolute standard of value* is well known. It was initially outlined by the Scholastic school –Magno, Aquinas, Frimaria and Odonis–, and made concrete as an economic hypothesis centuries later by the Classical School i.e. Smith and Ricardo. In spite of the time elapsed, the following question may be asked again: why did the Classical school focus its attention on labor as a means of attempting to explain prices and, therefore, of how the economy works? Did Smith and Ricardo get it wrong? Perhaps not.

The first question that the classical economists may have asked themselves before proposing their paradigm was: what is the origin of the economy? The answer to this question leads to the fact that the economy exists, because people exist. Completing this elementary reality a little more, it could be said that *the economy is the expression of the intelligent, organized and free exchange of human creative and productive activity*. Thus, the economy and the human being form an indivisible reality, which is at the same time, hierarchical. The human being is the source and object of the economy, while labor is the primary resource and the real and final expression of the economy.

This certainty, which is evident and timeless, is what possibly pushed the Classical school to propose, though in imprecise terms and with incomplete hypotheses, the *theory of labor as the absolute standard of value*. Classical school intellectuals considered that trying to explain the functioning of the economy without giving a pre-eminent role to the human being is an intellectually wasteful action from the beginning. Human labor and the functioning of the economy are united. There is a hidden connection between the two. Perhaps, key elements of the free functioning economy would

emerge from this connection. The Classical school (Smith) intuited what was expressed, but did not fully decipher it. In any case, the Classical school outlined the first paradigm of the economy: *the human being is the origin and object of the economy, with labor being the most essential and necessary good of the economic process. It is the possible origin of value (standard of value) and, thus, the driving force through which the price system is ordered, contributing to the natural equilibrium of the markets and the economy as a whole.*

Allowing for some metaphorical license, *natural market equilibrium* is reflected intellectually in the “natural order” proposed by Physiocracy and Cantillon, the “invisible hand” of Smith, “the general equilibrium” of Walras, “the spontaneous order” of Hayek, or the *holistic functioning* sustained by the Natural theory. The latter is a new hypothesis that incorporates and confirms all the previous hypotheses.

IV. THE MARXIST ECONOMIC SCHOOL

When Marx read the writings of Classical School, he perceived the potential scientific truth that lay behind Smith and Ricardo’s incomplete hypotheses about labor as: i) an architect of development and ii) a standard of value.

But Marx did not continue with this approach to the economy which the classical economists had begun. Instead, he took the classical paradigm and modified it erroneously and in an opportunistic manner so that it would fit in with his *theory of historical materialism*. Finally, he integrated the paradigm into a new social and political order, far removed from the classical postulates. This new system was presided over by the denial of the freedom and dignity of the human being, the elimination of the free market, the suppression of the freedom of prices and the collectivization of the means of production, thereby undermining private property. All of this in order to grant the state a role of supreme planner over the political, social and economic system and, thus, over human life itself.

Marx’s fallacious epistemological perception of the human being, society, and history (*atheistic humanism* and *historical materialism*) distorted Smith’s paradigm by transforming it into something perverse. Labor became a mechanism of oppression

and submission of the human person in favor of the state and its rulers, eliminating all possibility of free and dignified personal and social progress.

V. THE NEOCLASSICAL SCHOOL: PROS AND CONS

After more than a hundred years of existence, the Neoclassical school stands out for three reasons:

I. DEFENSE OF FREEDOM

The Neoclassical school's first and most important contribution is that of having been an advocate in the defense of freedom and, consequently, of having prevented a greater advance of the Marxist system in the economy and in the world. The commitment of the Neoclassical school to the defense of human freedom and dignity (and, as a result, to collateral moral and social values, or human rights) implies very important aspects in the economic sphere. Thus, we have its defense of market freedom, of the protection of the rule of law, and of the right to private ownership and initiative.

II. DEMOCRACY

The second contribution of the Neoclassical school is its support for democracy, as the best political system for a freer, more participatory and more just government of society. Democracy, among all the possible political systems, is the best of them. With democracy, western nations have been able to extend and guarantee freedom, dignity and other human rights to a greater degree.

III. SCIENTIFIC AND TECHNOLOGICAL PROGRESS

Thirdly, it is worth noting the technological and scientific progress that the accumulation of capital has generated in the last century. The progress in critical fields of human life and well-being is unquestionable. Thus we can see the progress in medicine and

health, nutrition, education, energy, communication, transportation (...). These technological and scientific advances would have been, undoubtedly, different and inferior if the Neoclassical school and modern capitalism had not created favorable conditions for them.

However, without denying the brilliant legacy of the Neoclassical school, there are three drawbacks that must be considered.

I. POVERTY AND GLOBAL ECONOMIC INEQUALITY

The first drawback of the Neoclassical school and modern capitalism is *poverty and global inequality*. Neither of these has been explained in its root causes, nor remedied despite the efforts of well-known economists and global institutions. This reality leads to other well-known social imbalances, sometimes with dramatic consequences. Thus we have this economic, social and human problem: *the imbalance in income and development between nations*. It arose from an involuntary intellectual vacuum and is the principal problem of the world economy.

II. MONETARY AND FINANCIAL CRISIS

The second drawback comes from the continuing and ever more serious *monetary and financial crises*. These crises are neither foreseen nor mitigated by accumulated economic knowledge. We have real estate crises, financial crises, monetary crises, banking crises, foreign exchange crises, and crises of sovereignty (...). All of these have a high impact on employment, on the business fabric, on accumulated wealth and on the structural, political and social stability of countries. The current monetary and financial system is by nature inherently unstable.

III. GLOBALIZATION

The third drawback is *globalization*. The world of today presents a clear difference when compared to that of the past: it is global. The scope of technological development, the speed of communications, the ease and extent of transport, the agility and

security of financial transactions, the culture and cosmopolitan tastes of the ordinary people... all make the current world a hyper-activated and hyper-linked commercial entity. This situation was not even dreamed of in the past. Globalization is not a temporary milestone of the free market economy. Rather, it is the culmination of a long process, having human rationality as its only mover.

This unique characteristic of the current economy continues without being adequately studied by macroeconomic thinking. At the moment, most macroeconomic hypotheses view the economic phenomenon at a *domestic* level. But, economic reality says that the economy is interconnected and interdependent. This new challenge, which could result in countless benefits for global society, cannot be adequately approached based on the postulates of current economic thought.

These are the three different drawbacks to the Neoclassical school. However, according to the Natural theory there is a single cause behind all three. Neoclassical Doctrine has built its intellectual edifice on an imperfect price theory which results in its unintentional but manifest incapacity to understand and act with certainty and effectiveness on economic phenomena. At the root of the problem is the abandonment of the *classical paradigm*.

VI. THE RUPTURE WITH THE CLASSICAL PARADIGM

Why did the Neoclassical school move away from the classical paradigm? There are three relevant facts, differing in nature, which will facilitate our understanding of this rupture.

I. MARSHALL'S PARTIAL EQUILIBRIUM MODEL

Marshall's partial equilibrium model (1890), or the *law of supply and demand*, marked a revolution in economic thought. It was, at that time, the most well-grounded and famous paradigm in economic history. Intellectually, Marshall's laws were the efficient cause for the immediate break with the classical paradigm.

Thus, at the end of the nineteenth century, economists believed that they had found a more rational, universal and accurate explanation for the behavior of markets (and prices) than the explanation proposed by the classical economists at the time.

It was sensed that an optimum way was provided for laying the foundations of a general explanation of the functioning of the economy. This would happen years later thanks to the *General Theory* of Keynes' and the *IS-LM model* of Hicks.

It is evident that Marshall's laws marked a turning point in the focus of economic research. For several decades and right up to the present day, the economists of the Neoclassical school have striven to find the keys which would explain the functioning of the economy while safeguarding the validity of Marshall's laws. Only Cassel and Fisher, among the great intellectuals of the last century, have partially departed from this general intellectual and scientific framework. Eventually, Sraffa would also do so.

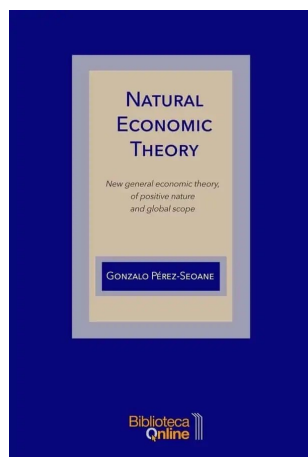
II. COMMUNISM AND THE DEFENSE OF THE WEST

The second cause is sociological and political in nature. The Marxist system gained pragmatic validity with the Russian Revolution (1917) and later in China... Marx's distorted theory of labor became an integral part of the socialist-communist economic system. The Communist system was radically opposed to the Capitalist system's most fundamental tenets.

From 1920 onwards, the scientific development of economics continued to be driven by outstanding economists, but Smith's classical paradigm had already been seriously stigmatized in Western economic thought as the origin of the marxist economic paradigm. The alienation from this point on would not only be the result of the scientific confrontation, but would also conceal a strong instinctive reaction of self-defense with regard to the moral, social and political values between systems, a self-defense, in short, of the freedom and dignity of the human being.

In the 1960s, the so-called *human capital theory* appeared under Mincer and Becker supported by a strong intellectual background in Marshall, Kuznets, Schultz and other leading economists. Nevertheless, the classical paradigm, by no means the most remote paradigm, was not rehabilitated in any way (except by Sraffa).

Want to keep reading?



You have just read the beginning of *Natural Economic Theory*, by Gonzalo Pérez-Seoane. The full book, in sixteen chapters, sets out a new general theory of economics, positive in nature and global in scope, in which the human being is the heart of the economy and prices are the key to understanding it.

Buy the full book ›

bibliotecaonline.es/natural-economic-theory-new-general-economic-theory-of-positive-nature-and-global-scope

WHAT YOU WILL FIND IN THE BOOK

- **Foundations.** The methodological structure of the theory and a critical review of the Classical, Marxist and Neoclassical price theories.
- **The natural price theory.** The mission of the economy, normative versus positive economics, and the principles of dependency, growth of the human species and economic rationality.
- **Labor, money, capital and purchasing power.** The labor market and salaries, the interest rate and monetary policy, Keynes and Say's law, and the gap between savings and investment.
- **The world economy.** Natural resources, foreign trade, financial markets, growth, inflation, reform of the international monetary system, and economic freedom and equality.

With an index of economists and a full bibliography.

BibliotecaOnline

bibliotecaonline.es
pedidos@bibliotecaonline.es
ISBN: 978-84-17539-46-7



Scan to buy