Tendency for rate of profit $p$ to fall
developed from Empirical argument labor saving
tech progress.

$a$ increases.

$p$ falls.

Increases in $\beta$
either to technical progress 2 Marx's Substantive
theory of wages came in head
fall of wages below natural rate 7

Marx: $\beta$'s fluctuation
limited whereas $a$ increases
indefinitely
Marx associated crises with the fall in rate of profit. Marx regarded crises as a way in which the fall in \( P \) is counteracted by a fall in \( c \). Therefore \( a + D \) increase in \( B \) by increasing 5.

Industrial reserve army as cause of rise in \( B \).

Full employment puts a limit on fall in \( B \) for there \( a \) increases.
Many economic phenomena appear connected with waves as a regular occurrence. When these waves occur, they may fall into two types: (1) those involving an increase in the labor force and (2) those involving a decrease in the labor force. Mary developed a theory of employment and unemployment phenomena.
Many criticized wage fund theory.

Wage Fund consists of that part of capital which is spent for wages.

\[ \text{wage fund} = \frac{v}{c+v} \]

\[ \Delta \text{constitutes the demand for labor.} \]
if \( v \) remains the same then wage fund grows in same proportion as capital.

\[
\frac{w}{v} = \frac{c+v}{c+V}
\]

\[
v = \frac{(c+v)}{d+1} \cdot \frac{c+v}{1+d}
\]

\( v \): wage fund

classical theorists divided total capital by # of workers.

Wages in long run determined independently.

divide \( V \) by wage rates, get # of people employed at this wage, employment first.
My dear Dr. Johnson,

Weimar, June 13th

I have the honor to communicate a final report on my recent visit to the United States. Enclosed is the document I referred to in my letter of May 10th.

Faithfully yours,

[Signature]
To know what the effect of the rate of profit would be we must know the rate of monetary interest distinction between rate of interest of money and rate of profit (return on capital invested in trade and industry).

Show how fall in rate of profit diminishes investment. Hence to show that it would not diminish rate of interest.

May saw some of these relations never connected items
Prior to Marx the change was

Establishing the relationship between profit and interest was in the English Banking - Currency controversy. In Wickesell's writing

Bauer - Baranovitch

Saw rate of profit =
rate of interest = a monetary rate rate of interest

Between 1870+

1920 ÷ 1910

No Distinction between rate of interest +
rate of profit is to
deny that rate of interest can be affected by monetary policy.
Thomson, 1802–1873
Paper credit of Great Britain

Contains all the essentials of modern monetary theory.

Wicksell and Keynes's ideas quite clear in Thomson's books.

 Ricardo formulated some ideas quite clearly in his "Political Essay" and in his principles. Oppose doctrine that bank cannot make more loans than business can absorb.

Wicksell's terms: rate of profit / natural rate of interest, money rate / bank rate.
banks can expand loans to any extent if their rate is less than the return on investment.

Viner ehr. An English controversy over currency doctrine.

1826 - Japhet describes process of credit creation by forced savings.

1826 - Japhet brought into business cycle:

Wicksell, Marshall brought this out.