Title: Genesis of three economic dogmas and future of their reappraisals

Author: Romain Kroes (private institute of epistemological and political researches)

Abstract

The oldest-known paradigm in economic thought is the market place Plato calls for. That is a physical single place, opened at sunrise and closed at sunset, therefore excluding credit and ignoring the balance of foreign trade. For Aristotle, money gets its value from law, this way prefigrating the principle of "money neutrality". Suetone, associating an increase in prices with the influx to Rome of Jerusalem's treasure, asserts the future "quantitative theory". Since the 14th century, three dogmas have evolved from these basic ideas. The first one is the anteriority of savings in relation to investment, the second one is a direct relation between money demand and price level, and the third one is the theorem of regulation by the market.

However, scanning the 19th-century-periodic crises, Clément Juglar discovered that a cycle always begins by an increase in prices accompanied by an overproduction, thus tending to prove that money demand eventually comes into conflict with prices and therefore do not govern them. Marx stood by the first dogma, but he introduced the "period of production" as the basis of economy, and he reduced market to a simple interface between production and consumption. Menger got rid of barter, concluding that there had never been exchange values, but exchange moneys from the very beginning of trade history. Rosa Luxemburg linked accumulated profit to imperialist expansionism, not to savings. Keynes asserted that far from creating investments, savings are actually an investments product.

Why have these reappraisals not been a success to date, despite the ineffectiveness of the related dogmas? Such is the question this paper tries to answer.