

Analogy between BFT and New Fixed Investment

in both cases rates current production exceed the sum of
 the rates of current consumption and of capital replacement-maintenance
 in both cases there results pure surplus income: income that
 can be spent only on investment (otherwise inflation)

Merchantism: excess export equals import of gold

hence increase of stock of money

hence possibility of expansion

additional surplus income many attractive features

in surplus expansion it increased rate of pure surplus

in depressions

it tended to cancel the rate of losses that otherwise would appear

it tended to prevent the occurrence of such losses

they arise because basic increasing more rapidly than surplus

hence rate of pure surplus decreasing

rate of aggregate savings has to decrease

unprovided for, hence contraction and liquidations

explains both XIXth century practice and theory

practice, because basic stage covered over by favorable balance

instead of basic expansion, export either basic or surplus product

theory, because cycle covered over in part, crises regarded

as incidental complexes of relatively arbitrary events

Juglar first to demonstrate cyclic character of crises

Juglar (1819-1905) "... as to talent and command of scientific

method, must be regarded among the greatest economists of

all times" Schumpeter 1125"

1862: published "Les crises commerciales et leur retour

périodique en France, en Angleterre, et aux Etats Unis"

1846 J gave up practice of medicine for economic research.

Movement with economy enjoying favorable balance

Exporters move from redistributive function fZ' to basic demand

and fZ'' to surplus demand

fZ' increases basic price spread which goes as surplus to S''

fZ'' goes as surplus to S''

Such surplus may be used to finance foreign importer: to set up

financial imperialism; ie foreign debt means interest and amortization

financing foreign importer enables him to pay exporter