

On Prices in Myrdal's Monetary Theory

Alexander Tobon*

PHARE, University of Paris X Nanterre

Bâtiment K-131, 200 Avenue de la République, 92001 Nanterre Cedex France

atobon@u-paris10.fr

Abstract

The aim of this paper is to show how Myrdal's monetary theory can contribute to the study of the behaviour of prices in disequilibrium. The analysis explains the existence of a cumulative process based on the capacity of the entrepreneur to anticipate price variations. The variation in prices explains the persistence of the cumulative process. This, we argue, represents an opposite view of the one contained in Wicksell's theory. The Myrdal's theory leads to the rejection of the quantity theory of money based on Wicksell's approach. This comes as a surprising result knowing Wicksell believed his results confirmed this theory.

Keywords: Myrdal, monetary equilibrium, cumulative process, prices, profit

JEL Classification: B22, D84, E21, E22, E31, E41.

* I wish to thank Professors Carlo Benetti, Alain Béraud, Gilles Dostaler, Jérôme de Boyer and Antoine Rebeyrol for their comments.