## **Table of Contents**

Preface					
Table of Contents					
Li	List of Figures				
List of Tables			$\mathbf{x}\mathbf{v}$		
1	The	Theory of the Household	1		
	1.1	Introduction			
	1.2	Classification of Decisions and of Principles to Rate Them			
	1.3	Private Decisions of Moral Importance	. 3		
	1.4	Moral Standards and the Determination of Moral			
		Evaluations of a Decision			
	1.5	A Digression: Explanation of the Transfer Probabilities			
	1.6	The Length of the Economic Horizon			
	1.7	The Relative Frequencies of Personal Decisions	. 20		
	1.8	Uncertainty on the Consequences of Decisions	. 22		
	1.9	Evaluations in Case of Interdependent Decisions			
	1.10	The General Theory of Household Behavior			
	1.11	Some Further Remarks on Household Theory			
	1.12	Entrepreneurship, Confidence and Trustworthiness	. 49		
	1.13	Income and Expenditure of a Household.			
		Some Definitional Relations	51		
		Annex to Section 1.13: Some Details on Income and			
		Expenditure of a Household	. 52		
	1.14	Normal Economic Decisions of Private Households			
		and the Budget Constraint	55		
		Annex to Section 1.14: Some Details on Normal Economic			
		Decisions of Private Households and on the Budget			
		Constraint			
	1.15	Consumption and Saving of Private Households	62		
	1.16	Morality and Criminality in a Society and Their Effect			
		on the Economy			
	1.17	Private Valuations of Collective Issues			
	1.18	Transition to the Next Period: Change of Issues			
	1.19	Collective Decisions	73		
	1.20	Determination of the Leading Group and of the Influence			
		of Each Person within the Group			
	1.21	Transition to the Next Period: Change of Government	78		
	1.22	Digression 1: The Interaction of the Spiritual Domain			
		and Economics	81		

## X Table of Contents

	1.23	Digression 2: The Connection to Sociology and
		Political Science
	1.24	The Direct Influence of Ethics on Normal Economic
		Decisions. A Short Review and Preview 87
	1.25	The Conditional Sales or Purchases of Capital Stock
		and Securities
	1.26	A Digression: Fixing of the Rates by the Brokers 108
	1.27	The Assignment of Households to Decision Situations 109
	1.28	The Household Demand as a Function of the Situation
	2.20	of the Economy and of the Characteristics of the Household . 111
	1.29	A Final Remark: Convergence of Evaluations
	1.30	Epilogue: The Importance of Humanities and Their Relation
	1.00	to the Natural Sciences
		References
_		
2		Theory of the Firm 133
	2.1	Introduction
	2.2	The Production Department: Production,
		Capital Equipment, and Replacement
	2.3	The Production Department: Secondary Inputs 144
	2.4	The Production Department: Labor Input 145
	2.5	The Handbook of Production
	2.6	The Inventory Department
	2.7	The Administration Department: The Organization of a Firm 150
	2.8	Some Remarks on Other Characteristics of the
		Initial Situation of a Firm
	2.9	The Main Decisions of a Firm Concerning the Real Side 164
	2.10	The Initial Situation of a Firm: The Monetary Side 165
	2.11	The Possible Decisions of a Firm Concerning the
		Monetary Sector
	2.12	Transition of a Firm from One Decision Point to the Next:
		The Choice Criteria
	2.13	A Short Look into the Literature
		References
n	mi i	Theory of the Banking System 175
3	3.1	
	•	Introductory Remarks
	3.2	Some Definitions and Relations. A Note
	3.3	The Balance Sheet of a Commercial Bank
	3.4	The Profit and Loss Account of a Commercial Bank 187
	3.5	The Organization of a Commercial Bank
	3.6	The Balance Sheet of the Central Bank
	3.7	The Decision Variables and the Principles of Decision
		of the Central Bank

	3.8	The Decision Variables and the Principles of Decision	207
		of a Commercial Bank	016
	3.9	The Secondary Inputs of a Commercial Bank	210
	3.10	A Digression: Dubious Effectiveness of the Discount Policy	216
		of the Central Bank	210
	3.11	On the Near-Constancy of Some Coefficients in the	010
		Monetary Sector of the Economy	218
	3.12	A Digression: Some Consequences of the Near-Constancy of	
		Some Coefficients in the Monetary Sector of the Economy;	000
		a Simplified Model	222
	3.13	A Final Remark	
		References	223
4	The	Educational System, Development and Leaves	225
	4.1	Some Basic Concepts	225
	4.2	Natural Endowments and the School System	227
	4.3	Learning by Doing	239
	4.4	Development, Research and Technical Progress	242
	4.5	Some Remarks on Other Explanations of Technical Progress	251
		References	255
5	The	Theory of the Government	261
	5.1	Introduction	261
	5.2	Digression 1: An Overview on the Development of Technology	
		and Constitutions in the Last Millennium	262
	5.3	Digression 2: An Overview on the Relations of the Status	
		of Agriculture and Handicraft and the Constitutions of Feu-	
		dalism and Absolutism	268
	5.4	Digression 3: An Overview on the Relations of the Status	
		of Industrialism and on the Constitutions of Absolutism and	070
		Democracy	276
	5.5	The Theory of the Government:	001
		Some Definitions and Assumptions	281
	5.6	Transition to the Next Period: Decisions of the Government	000
		Concerning the Real Side	289
	5.7	The Government Budget	296
	5.8	Transition to the Next Period: Decisions of the Government	007
		Concerning the Monetary Side	291
	5.9	Determination of the "Leading Group": Election of the	200
		Members of the Government	298
	5.10	Some Notes on the Approach Suggested Here in	200
		Comparison to Other Approaches	
		References	305

## XII Table of Contents

6	The	Determination of the Wage Rates	<sub>,</sub> 307	
	6.1	Introduction		
	6.2	Some Basic Definitions and Assumptions	. 309	
	6.3	The Determination of the Time Shape of the Trade Unions'		
		Demands for a Wage Increase	. 315	
	6.4	Determination of the Time Shape of the Employers		
		Concessions for the Wage Levels	. 318	
	6.5	Wage Determination: The Wage Rates Offered by the		
		Employers and Demanded by the Trade Unions Are Equal	. 319	
	6.6	Criticism of Wage Determination by Agreement of Trade		
		Unions and Employer Associations. A Digression	. 320	
	6.7	A Short Look into the Literature	. 324	
		References	. 326	
7	The Theory of the Price of Securities			
	and	of the Interest Rates	327	
	7.1	Introduction		
	7.2	The Price of Securities. A Theory of the Exchange	. 327	
	7.3	The Theory of the Determination of the Interest Rates	. 332	
	7.4	The Financial Structure of a Commercial Bank	. 335	
	7.5	A Short Look into the Literature	. 337	
		References	. 338	
A	Fina	l Remark	341	