

## THE PARADOX OF CAPITAL THEORY— IS THE BOHM-BAWERK-TYPE ECONOMICS LOGICALLY INCONSISTENT ? \*

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THE PROTOTYPE of economics as revealed in general in the writings of Walras, Pareto, Wicksell, Hicks (prior to 'Capital and Growth'), Samuelson (of the 'Collected Scientific Papers'), and Joan Robinson (during the golden age of 'The Accumulation of Capital'), conceives of the economic system as characterized by the existence of different consumption goods' mixes capable of yielding the same satisfaction-flow and of different mixtures of techniques and production processes capable of producing the same bundles of goods. The linear approach postulates the simultaneous use of such diverse mixtures in an actual economic system. This is the reason why in the discussion of choice of techniques, we deal with 'switching' rather than with a choice between a known set of prices of a known production structure, and different and unknown sets of prices of unknown production structures. A serious danger is that a critique of capital-intensity may be implied to encompass Bohm-Bawerk as well. One distinguished student of Schumpeter has hinted at this; he appears to blame Bohm-Bawerk for the lapse of not having noted the possibility of double-switching and of 'perverse' movements in interest with variations in capital-intensity.<sup>1</sup> Even Sraffa, from whom, said Keynes, nothing can be hid, in his comment on Harrod's review of his own work, appears to give the impression that any calculation of the period of production necessarily involves the rate of interest.<sup>2</sup> In the following, we

\* This note is a 'continuation' of ideas contained in the paper on 'The Average Period of Production' published in *Artha Vijnana*, Vol. 7, No. 2.

<sup>1</sup> 'Paradoxes in Capital Theory: a symposium', *Q.J.E.*, Vol. LXXX, Nov. 1966, in particular the papers by P. Garegnani and P. A. Samuelson, *vide* pp. 570 and 579. See also P. Sraffa, 'Production of Commodities by means of Commodities', para 48.

<sup>2</sup> *Economic Journal*, 1962.