monetary economy it is possible to sell without buying. Such hoarding increases when confidence starts to fail because of investment errors becoming apparent. In a credit economy, the effect of hoarding is magnified by a flight to liquidity and bankruptcy spreads through the economy.

8. All this takes on the appearance of a general slump that will, however, quickly and spontaneously correct if prices, wages and interest rates adjust.

Léon Walras, in his Éléments d'économie politique pure (1874), gave a more complete formulation of Say’s law, known today as Walras’s law: as a consequence of basic interrelations among individuals in a general equilibrium system, the sum of the value of excess demands must be zero.

A new wave of criticism rose against Say’s law with Keynes (1936): an excessive propensity to save could lead to aggregate consumption being too weak for aggregate production to take off. The result could be attempted overinvestment, a fall in national income and an increase in involuntary unemployment.

Once facts refuted early Keynesianism, economists returned to Say’s law under the guise of rational expectations theory: all available information is discounted into current decisions by speculators and therefore markets clear. Hence, as Turgot-Smith, Say, and J. and J.S. Mill, there can be no general gluts and whatever cyclical phenomena may recur will be due to real disproportions caused by technological shocks displacing inferior investments. Those co-movements will correct, the more flexible demand and supply prices are.

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Bibliography
absolutely continuous with respect to $\lambda$. Given a set $E \in \Sigma$ such that $\lambda(E) > 0$ and $\int_E f d\lambda = \int_E g d\lambda$, then for every positive number $\varepsilon$ there is a $\Sigma$-measurable subset of $E$, say $F$, such that: $\lambda(F) > 0$, $\nu(F) \leq \varepsilon$ and $\int_F f d\lambda = \int_F g d\lambda$.

Mas-Colell provides an interesting interpretation of this result by considering that the economy only needs a few well-informed agents to reach a Walrasian equilibrium. These few agents would be the arbitrageurs. That is, with most of the agents in the economy being passive, it would be enough for a small profit-maximizing group of agents performing optimally to place the economy in equilibrium.

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Bibliography

**Schumpeter’s vision**

In his 1954 *History of Economic Analysis*, J.A. Schumpeter (1883–1950) stated that ‘analytic effort is of necessity preceded by a preanalytic cognitive act that supplies the raw material for the analytic effort. In this book, this preanalytic cognitive act will be called Vision’ (p. 41). We ‘see’ things in a light of our vision (Schumpeter’s emphasis). This is sometimes called ‘ideology’, ‘world view’, ‘cosmovision’ or, after Kuhn (1962), ‘paradigm’.

Schumpeter is talking about ‘the dangers of ideological bias’ and how to detect and eliminate ideological elements through standard scientific procedure. Despite any original inevitable contamination, the scientific process, through ‘factual work and theoretical work’ (called poetically by Schumpeter ‘the cold steel of analysis’) refines and completes the original vision and will ‘eventually produce scientific models’, that is, value-free positive economics. So Schumpeter’s position is similar to Friedman’s (1953): ideology is one of the possible legitimate motivations of a research, but not relevant for the correctness of its result; ‘explanation, however correct, of the reasons why a man says what he says tells us nothing about whether it is true or false’ (Schumpeter, 1954, p. 36).

But throughout the *History* runs the idea that vision is something not only legitimate, as Friedman states, but also good, necessary to grasp the data – and sentiments – about the world in one comprehensible hypothesis. Scientific procedures not only take away the bad elements of the original vision, but build a better one: ‘In an endless sequence both activities [conceptualizing the content of the vision and hunting for further empirical data] improve, deepen and correct the original vision’ (ibid., p. 45). And so the idea of ‘Schumpeter’s preanalytic vision’ is usually quoted in support of non-canonical approaches.

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Bibliography


**Schumpeterian entrepreneur**

According to Joseph A. Schumpeter (1883–1950), economic development is the consequence of changes caused by exceptional ‘innovating entrepreneurs’ that introduce in the economic system new products or new