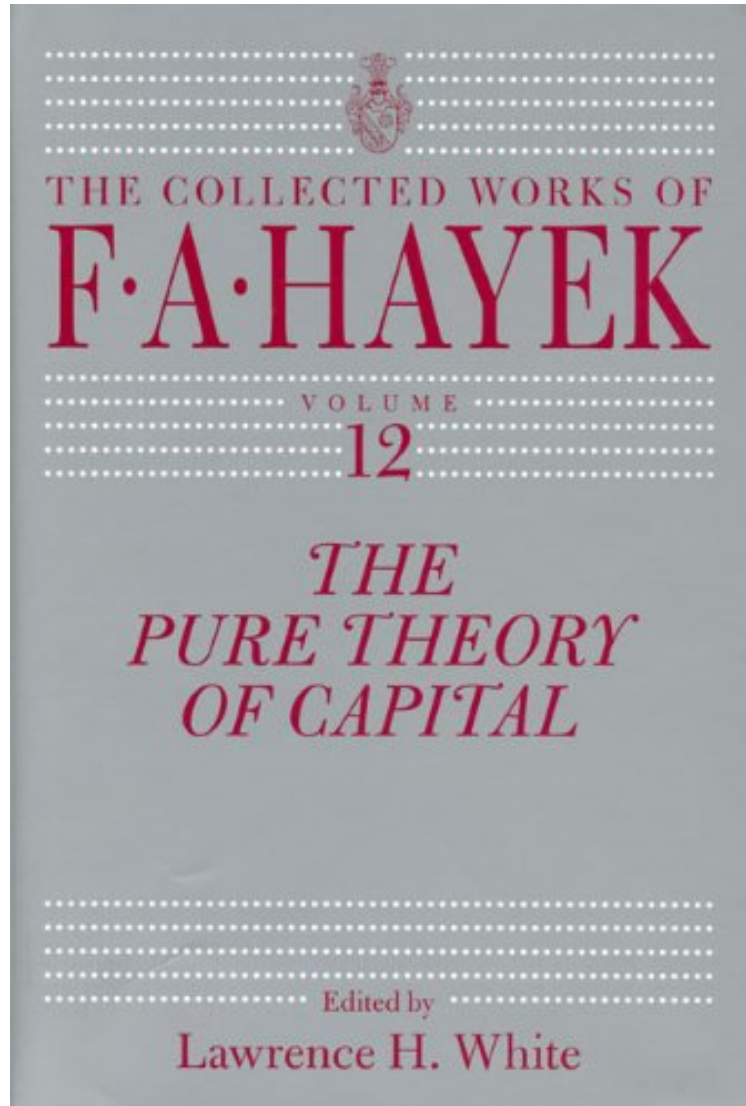


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## The Pure Theory of Capital (The Collected Works of F. A. Hayek)

*F. A. Hayek*

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**F. A. Hayek : The Pure Theory of Capital (The Collected Works of F. A. Hayek)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Pure Theory of Capital (The Collected Works of F. A. Hayek):

1 of 1 people found the following review helpful. Important but technically obsolete and frustratingBy Rafael R.The Pure Theory of Capital was Hayek's last effort in technical economic theory. Written during the 1930's while Hayek was working in the LSE and debating the hottest macro issues of the day (which obviously included explaining the Great Depression), Hayek presented his business cycle model in Prices in Production but most if not nearly all who were interested in it didn't really understand his model. In order to prove his theory of the business cycle Hayek had

first to construct a sophisticated capital theory with heterogeneous capital with different intertemporal effects on output flows, a 3 dimensional theory of capital. Something that has not been done even today (capital theory is regarded as dead: everybody today works with homogeneous capital), Hayek actually never finished his theory, which would take perhaps a thousand pages, in order to incorporate monetary theory into his model. Eventually, he got tired of it, frustrated with the enormous complexity of the task, and abandoned capital theory as a whole. This book represents his half finished theory. It's the work of a genius but I personally believe that capital theory is not required to actually articulate his theory of the business cycle formally, what we need is a model of dynamic market adjustment (disequilibrium analysis) to the injection of money which also has not been done.

The Pure Theory of Capital, F. A. Hayek's long-overlooked, little-understood volume, was his most detailed work in economic theory. Originally published in 1941 when fashionable economic thought had shifted to John Maynard Keynes, Hayek's manifesto of capital theory is now available again for today's students and economists to discover. With a new introduction by Hayek expert Lawrence H. White, who firmly situates the book not only in historical and theoretical context but within Hayek's own life and his struggle to complete the manuscript, this edition commemorates the celebrated scholar's last major work in economics. Offering a detailed account of the equilibrium relationships between inputs and outputs in an economy, Hayek's stated objective was to make capital theory—which had previously been devoted almost entirely to the explanation of interest rates—useful for the analysis of the monetary phenomena of the real world. His ambitious goal was nothing less than to develop a capital theory that could be fully integrated into the business cycle theory.

"If I had to single out the area in which Hayek's contributions were the most fundamental and pathbreaking, I would cast my vote for the theory of capital. . . . It is my sincere conviction that this work contains some of the most penetrating thoughts on the subject that have ever been published."