"Wicksell, general equilibrium and the way to macroeconomics"

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Wicksell's formulation of monetary theory as the study of the relation between aggregate supply and aggregate demand – and their respective division into supply of consumption and capital goods on one side, and income spent and saved, on the other – would play a key role in the development of macroeconomics in the 1930s. Although Wicksell did advance (macro)economics along a path distinct in many aspects from Walrasian general equilibrium, his contributions are better understood if we take into account the Walrasian roots of his approach to the working of markets. Wicksell's monetary macroeconomics resulted from his attempt to improve on what he perceived as two shortcomings of Walras's general equilibrium theory: incomplete treatment of the demand for money and its connection with the banking system and credit, and lack of a concept of capital stressing the time element in the production process. At the same time, by building on Walras's original framework, Wicksell was influenced by the former's notions of the tâtonnement by which markets solve the system of equations, and of the zero-profit entrepreneur in equilibrium. As the first neoclassical economist to produce textbooks on both theories of value and money, Wicksell was confronted with the problem of different methods of analysis in those two fields and how to bridge the gap between them. Wicksell's formulation of monetary theory as the study of the relation between aggregate supply and aggregate demand – and their respective division into supply of consumption and capital goods on one side, and income spent and saved, on the other – would play a key role in the development of macroeconomics in the 1930s. Although Wicksell did advance (macro) economics along a path distinct in many aspects from Walrasian general equilibrium, his contributions are better understood if we take into account the Walrasian roots of his approach to the working of markets. Wicksell's monetary macroeconomics resulted from his attempt to improve on what he perceived as two shortcomings of Walras's general equilibrium theory: incomplete treatment of the demand for money and its connection with the banking system and credit, and lack of a concept of capital stressing the time element in the production process. At the same time, by building on Walras's original framework, Wicksell was influenced by the former's notions of the tâtonnement by which markets solve

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