Course Description

Money and General Equilibrium: An Analytical History of an Unsolvable Question
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The so-called « Hahn problem » is nothing but the straightforward question of finding room for a positive price to the n\textsuperscript{th} good in a model in which the prices of the (n-1) goods are clearly positive but defined in a barter model in which no transaction technology (and hence no transaction costs) are defined: money is simply an adding-on variable introduced as a mere after-thought in a model that can logically dispense with it.

This course of lectures intends to offer a analytical history of the various (and desperate) ad hoc attempts to explain the reasons why, within the Walrasian general equilibrium model, money is supposed to display a positive marginal utility, and hence a positive price. This apparently strictly theoretical question is however of central importance in the conduct of any monetary policy. If such policies aim mainly at stabilising the price-level (i.e. the price of money), wouldn’t it be wise to understand why, and how, in the first place, money displays a positive price?

1. The traditional relative prices/nominal prices link: the quantity theory
2. General equilibrium and Money: Walras and Pareto as the founding fathers of the « Hahn problem »
3. The money in the utility function: from Walras to Patinkin
4. Samuelson’s intergenerational model (1958)
5. Clower’s cash in advance (1967)
6. Search models and all that
7. Starr’s trading post approach
8. Equilibrium prices and transaction technologies: « a » solution and not « the » solution
9. Money as an « add on » variable to a barter theory of exchange; or a monetary theory of exchange?