

Maurice felix charles allais essay sample

Economics



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Maurice Felix Charles Allais was a French economist and a proud recipient of Nobel Memorial Prize in Economics. He was conferred this honor for his commendable contribution to the theory of markets and efficient utilization of resources. He was the first French citizen to receive the Nobel Prize. Allais showed that his insights could be applied efficiently to set prices for state owned monopolies of which France had many. Allais didn't get credit as early as his English contemporaries did as he primarily wrote in English and not French. As said by Paul Samuelson, a noted economist, " Had Allais' work been in English, a generation of economic theory would have taken a different course". Allais also helped resolve issues regarding monetarism, which is the quantity theory of money and the utility theory. Besides his avid interest in economics, Maurice Allais had a great interest for physics and he performed experiments in gravitation, special relativity, and electromagnetism and discovered the Allais effect.

The Economist

As an economist, Maurice Allais contributed heavily to decision theory, monetary policy energy, transport and mining. He made a great mistake by not translating his work into English. Most of his major works including the concepts of ' overlapping generation model', ' golden rule of optimal growth' and ' behavioral economics' were written in French. However, these concepts were discovered and popularized only by the English-speaking economists like Paul Samuelson, Edmund Phelps, Daniel Kahneman, and Amos Tversky much later.

Maurice is particularly associated with the 'Allais paradox', a decision problem he presented in 1953, which contradicts the 'expected utility hypotheses'. Maurice took economic studies for both private and nationalized firms and for the European Economic Community. He was very active as a national and international rapporteur at conferences as was the rapporteur at the "NATO in quest of cohesion" conference in 1964 at Georgetown University. From 1959 to 1962, he was also founder and general delegate to the 'Movement for a Free Society, a liberal para-political organization.

In 1992, Maurice Allais criticized the Maastricht Treaty for its excessive emphasis on free trade. He also expressed reservations on the single European currency. In 2005, he expressed similar reservations concerning the European constitution.

ADAM SMITH

Adam Smith is often touted as the world's first free-market capitalist. While that designation is probably a bit overstated, Smith's place in history as the father of modern economics and a major proponent of laissez-faire economic policies is quite secure.

Invisible Hand Theory

"An Inquiry Into the Nature and Causes of the Wealth of Nations"

documented the industrial and development in Europe. While critics note that Smith didn't invent many of the ideas that he wrote about, he was the first person to compile and publish them in a format designed to explain

them to the average reader of the day. As a result, he is responsible for popularizing many of the ideas that underpin the school of thought that became known as classical economics.

Other economists built on Smith's work to solidify classical economic theory, which would become the dominant school of economic thought through the Great Depression.

Laissez-faire philosophies, such as minimizing the role of government intervention and taxation in the free markets, and the idea that an "invisible hand" guides supply and demand are among the key ideas Smith's writing is responsible for promoting. These ideas reflect the concept that each person, by looking out for him- or herself, inadvertently helps to create the best outcome for all. "It is not from the benevolence of the butcher, the brewer, or the baker, that we can expect our dinner, but from their regard to their own interest," Smith wrote.

By selling products that people want to buy, the butcher, brewer and baker hope to make money. If they are effective in meeting the needs of their customers, they will enjoy the financial rewards. While they are engaging in their enterprises for the purpose of earning money, they are also providing products that people want. Such a system, Smith argued, creates wealth not just for the butcher, brewer and baker, but for the nation as whole when that nation is populated with citizens working productively to better themselves and address their financial needs. Similarly, Smith noted that a man would invest his wealth in the enterprise most likely to help him earn the highest return for a given level of risk.

LEON WALRAS

Leon Walras' biggest contribution in economics is the " General Equilibrium Theory" and he is also one of the founders of the " marginal revolution" by postulating the idea of marginal utility.

The general equilibrium theory studies the fundamentals of supply and demand in an economy with multiple markets, with the objective of proving that all prices are at equilibrium. This theory analyzes the mechanism by which the choices of economic agents are coordinated across markets. It attempts to look at several markets simultaneously rather than a single market in isolation. On the other hand, marginal utility is defined as the additional satisfaction or benefit that a consumer derives from buying an additional unit of a commodity or service. The concept implies that the utility or benefit to a consumer of an additional; unit of a product is inversely related to the number of units of that product he already owns.

ALFRED MARSHALL

Alfred Marshall's main argument is that the economy is an evolutionary process in which technology, market institutions and people's preferences evolve along with people's behavior. He introduced the idea of 3 periods namely, Market Period, Short Period and Long Period, to understand how markets adjust to changes in supply or demand over time. Market Period is the amount of time for which the stock or commodity is fixed. Meanwhile, the time in which the supply can be increased by adding labor and other inputs but not adding capital is known as Short Period. Lastly, Long Period means the amount of time taken for capital to be increased. Marshall's basic

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approach to welfare economic still stands today. In his most important book, “ Principles of Economics”, he was able to quantify the buyers’ sensitivity to price.

He emphasized that the supply and demand determines the price output of a good: the two curves are like scissor blades that intersect at equilibrium. This concept is otherwise known as Price Elasticity of Demand. He proposed that the price is basically parallel for each unit of commodity that a consumer buys, but the value to the consumer of each additional unit declines. In line with this he illustrated the benefits of the consumer from market surplus. He termed these benefits as Consumer Surplus which is equated as the size of the benefit equals the difference between the consumer’s value of all the units and the amount paid for the units. In other words, the consumers pay less than the value of the good to themselves. Lastly, he also introduced the concept of Producer Surplus which is the amount the producer is actually paid minus the amount that he would willingly accept.

JOHN STUART MILL

John Stuart Mill wrote the “ Principles of Political Economy”, which became the leading economic textbook for forty years after it was written. He elaborated on the ideas of David Ricardo and Adam Smith. He helped develop the ideas of economies of scale, opportunity cost and comparative advantage in trade.

Mill’s analysis is fundamentally grounded in his broader approach to economics – the view that economic activity is only a part of all activities or <https://assignbuster.com/maurice-felix-charles-allais-essay-sample/>

basically termed as “ Mill’s Economics”. Firstly, Mill identified two forces: competition and custom, govern the distribution of income, and he criticized the orthodox line of English economists for emphasizing the role of competition while almost completely neglecting the role of custom. He pointed out that the operation of competition in the market economy is comparatively young historical phenomenon and that, if we glance backward, we find that custom has traditionally played a major role in solving the economic problems surrounding the distribution of income.

ANALYSIS

I have chosen five highly praised economists during their times who had been so important people in the field of economy. They are the ones responsible in the growth, and even in the decline that we have now in the economic system. Their theories and claims brought positive and negative effects to the system. Although their idea might seem new to us, they have been actually around for many years already, creating systems and shaping them as well.

I have Maurice Allais, a French economist. He contributed the theory of markets and efficient utilization of resources. France had many state-owned monopolies and so Allais showed that his insights could be applied efficiently to set prices for this. He was not much given credit because he is French and all of his works were written in French, which he considered as his mistake. However, he still helped resolve issues regarding monetarism, which is the quantity theory of money and the utility theory.

Now, let's have Adam Smith who contributed the Invisible Hand Theory which allows no intervention from the government for economy will balance itself automatically; therefore, competition must be in full charge. He introduced Free Market Economy in that competition will benefit both the consumers and producers because when there is competition, the prices will decrease, but demands will increase, still resulting to a more profit. This concept is very much used until today because consumers really benefit at the end of the process. In addition, he talked about employment, that economy will be more productive if there is specialization.

Third economist is Leon Walras who's greatest contribution is the General Equilibrium Theory. His objective in this theory is to prove that all prices at equilibrium. He studied the importance of supply and demand in the economy, which is still an issue in the economy until now. Also, he co-founded Marginal Utility which talks about the utility or benefit that a consumer may get from buying or consuming additional commodity or service, that is oppositely related to the products he already owned.

Alfred Marshall's point on the other hand is that economy evolves along with people's behavior. He introduced the concept of Price Elasticity of Demand, that the supply and demand determines the price output of a good. The price of the good is parallel to what he consumes, but the value declines. Because of this, he came up with Consumer Surplus and Producer Surplus which talks about their benefits. Also, he introduced the idea of Market Period, Short Period, and Long Period.

Finally, John Stuart Mill who further elaborated Ricardo and Smith's concepts. His view on economics is that it is just a part of all our activities. He questioned and criticized those who completely emphasize the role of competition, while neglecting custom, when in fact, if we look backward, custom was the one that played the major role in solving our economic problems.

These five are but incomparable. They contributed their own ideas and concepts which we are still applying today in the economic system. We may agree or disagree with their views, but in the end, everything will be based on how we consume the goods and how we react on the supplies and demands of the economy.

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WHO HAS THE BEST CONCEPT AND WHY?

Having known their theories and contributions in the field of economics, I think the best concept was with Adam Smith basically because, he promotes competition in which in the end, consumers will benefit. The disadvantage of this I think would be on the producers for there would be much competition for them. In the case of his concept of employment, I believe him in the sense that the economy will not progress if you have the wrong job for your field of specialization, thus, underemployment.